

CONFIDENTIAL (FR) CLASS II-FOMC

*Materials for
Staff Presentation to the
Federal Open Market Committee*

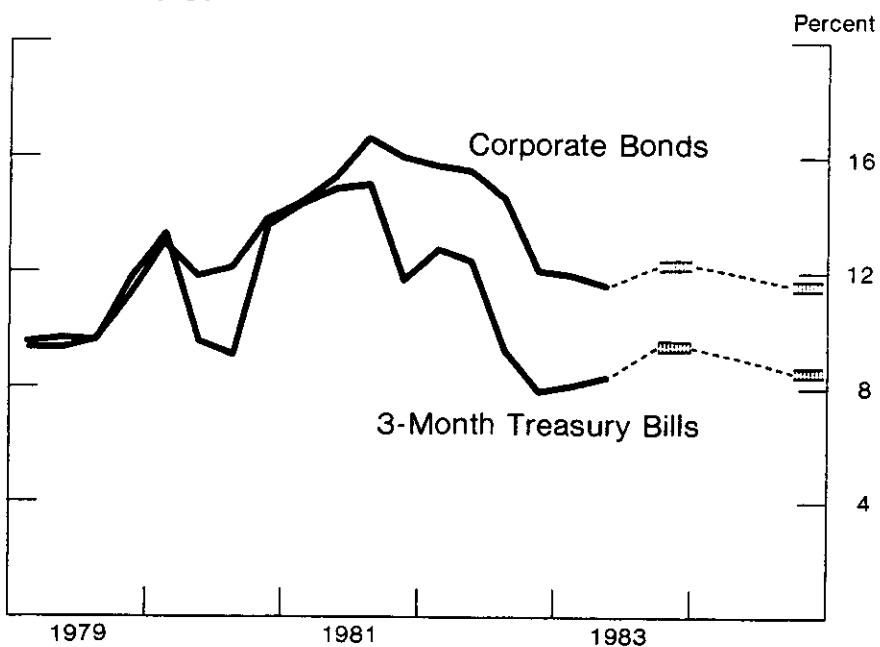
July 12, 1983

M2 and GNP

	Change from end of previous period, annual rate, percent	
	M2	Nominal GNP
1982	9½	3½
1983 H1	15½ (8½)*	9¾
H2	8¾	9½
1984	8	8¼

* Adjusted for shifts into MMDAs from sources outside M2.

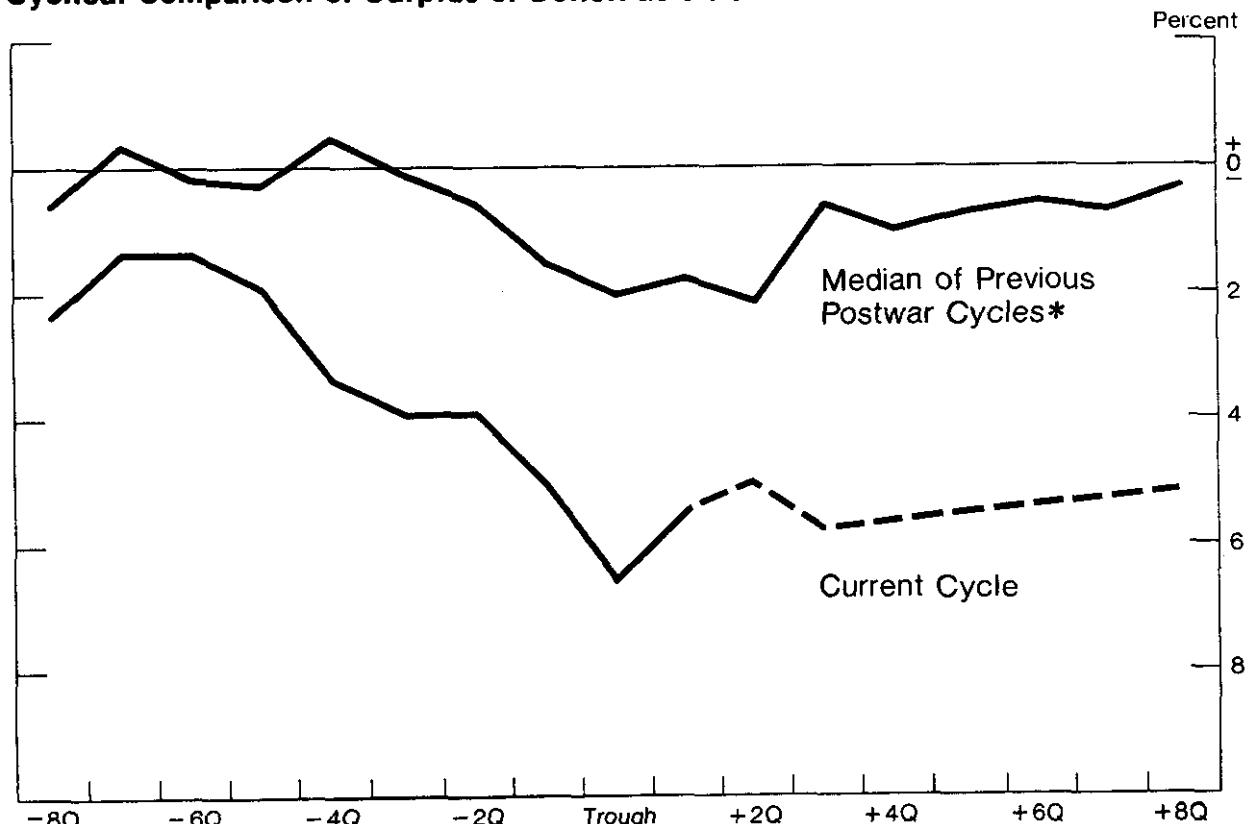
Interest Rates



Federal Budget

	FY 1982	FY 1983	FY 1984
Unified Budget Basis, Billions of Dollars			
Outlays	728	805	861
Receipts	618	600	663
Deficit	111	205	198
Structural Deficit	43	71	97
— Staff projection —			

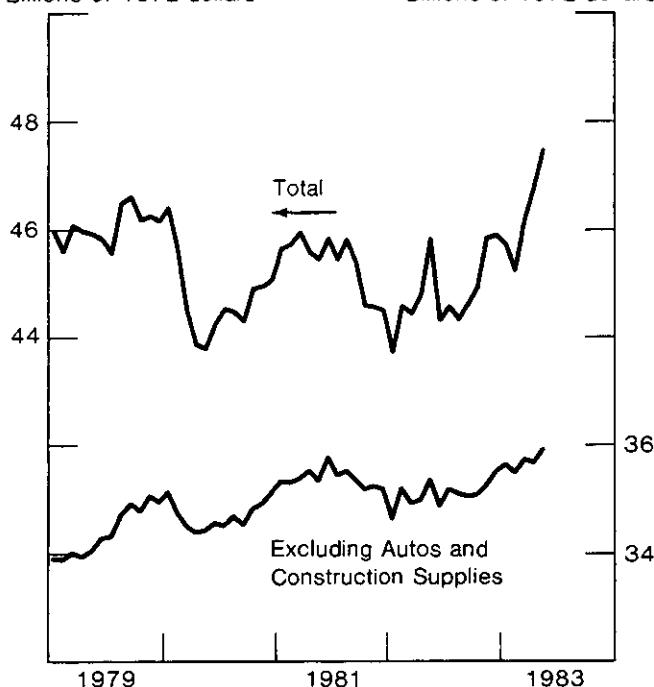
Cyclical Comparison of Surplus or Deficit as a Percent of GNP



* Excludes 1948-49 and 1980 cycles.

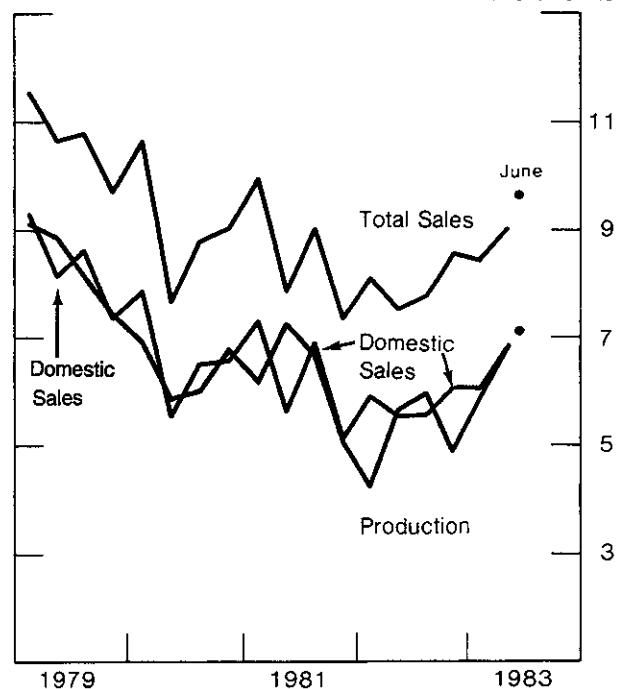
Real Retail Sales

Billions of 1972 dollars



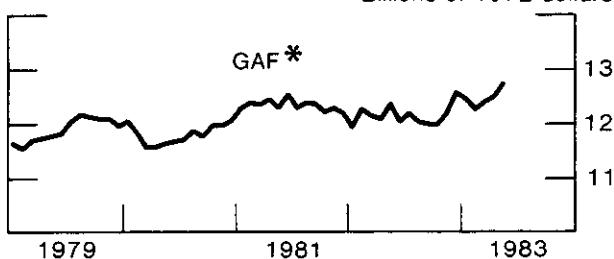
Auto Sales and Production

Millions of units



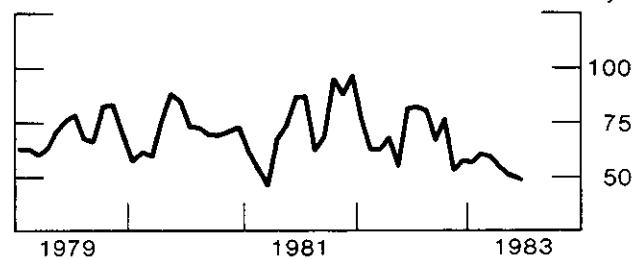
Real Retail Sales

Billions of 1972 dollars



Days Supply of Domestic Autos

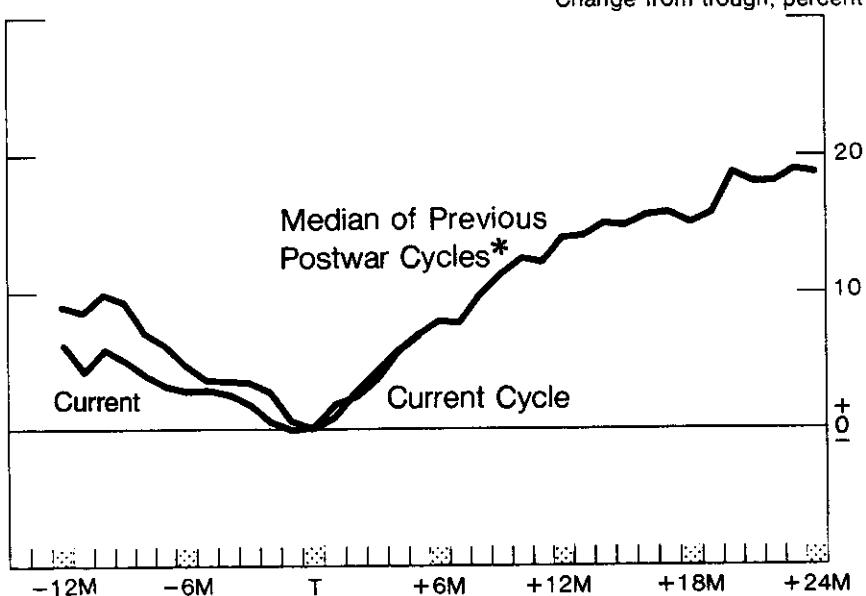
Days



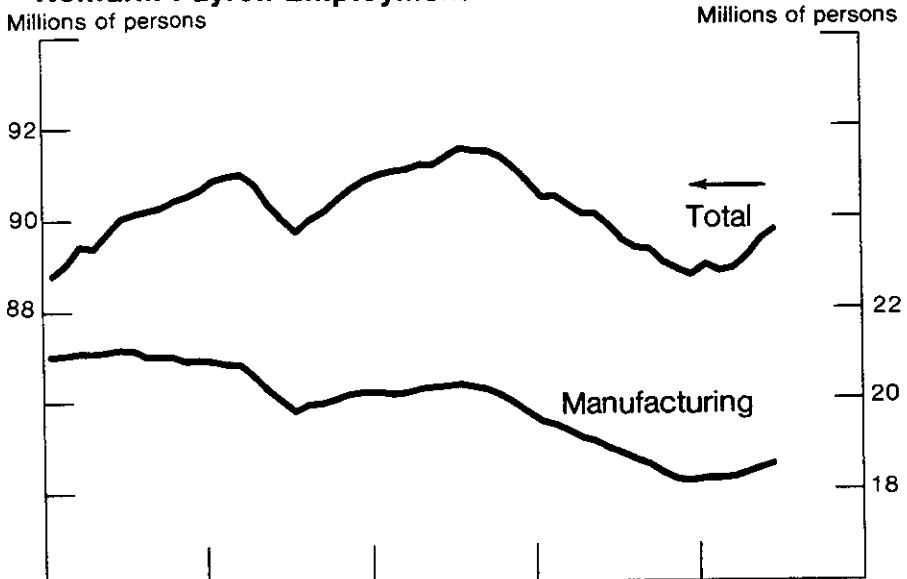
* General merchandise, apparel, furniture and appliance stores.

Cyclical Comparison of Industrial Production

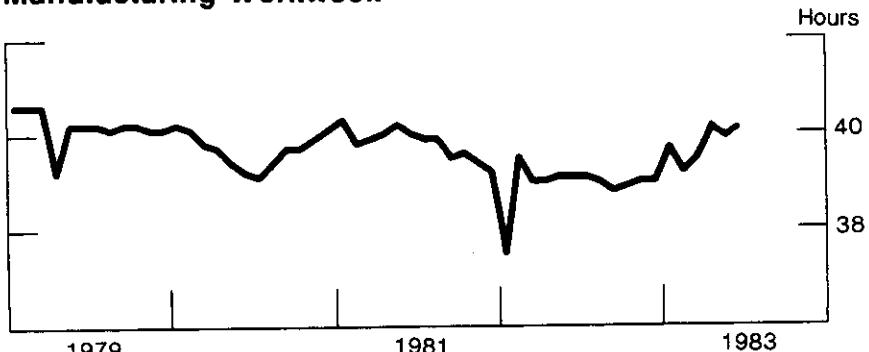
Change from trough, percent



Nonfarm Payroll Employment

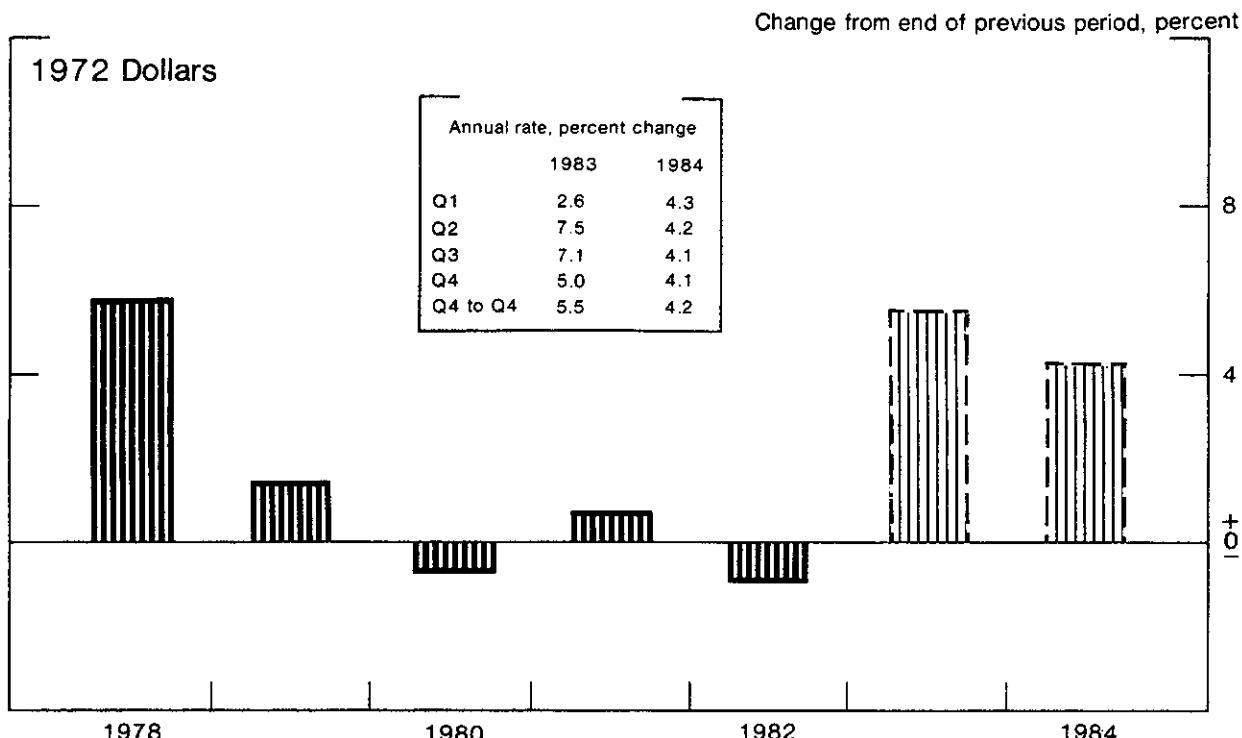


Manufacturing Workweek

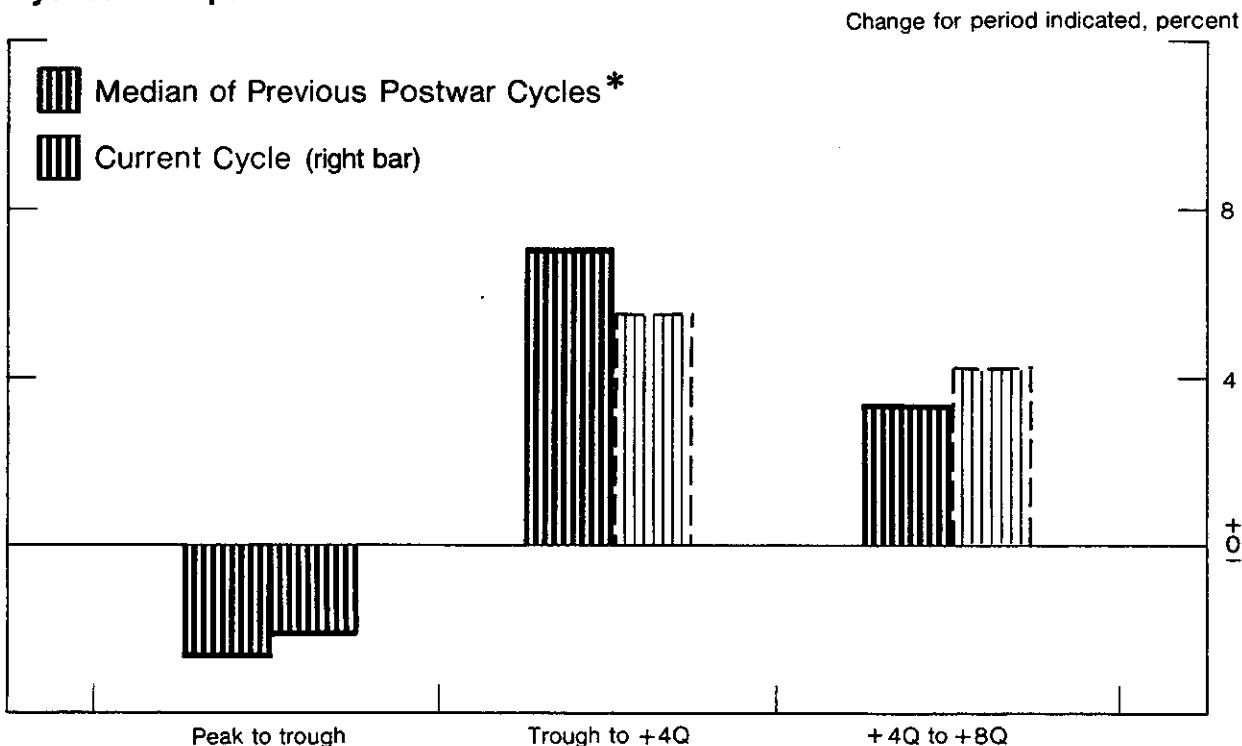


* Excludes 1948-49 and 1980 cycles

Real GNP



Cyclical Comparison of Real GNP

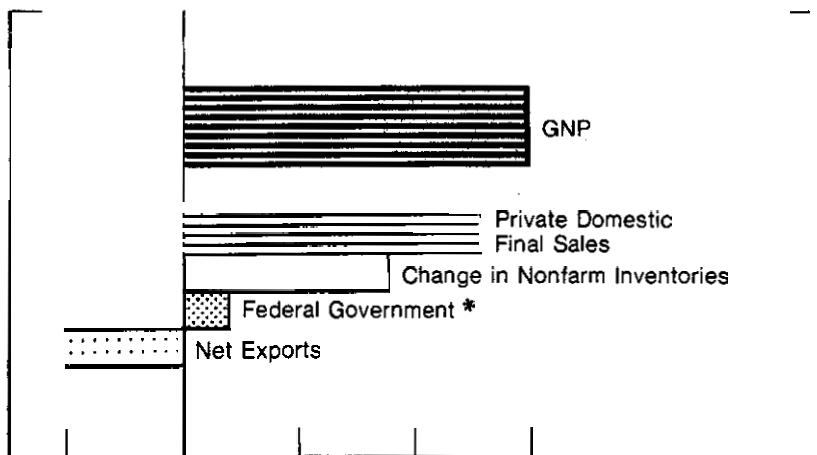


* Excludes 1948-49 and 1980 cycles.

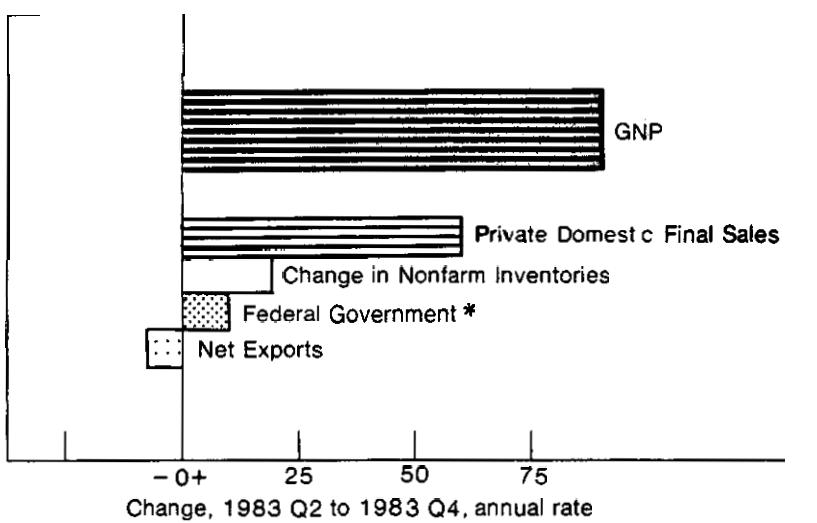
Real GNP—Contribution of Selected Components

Billions of 1972 Dollars

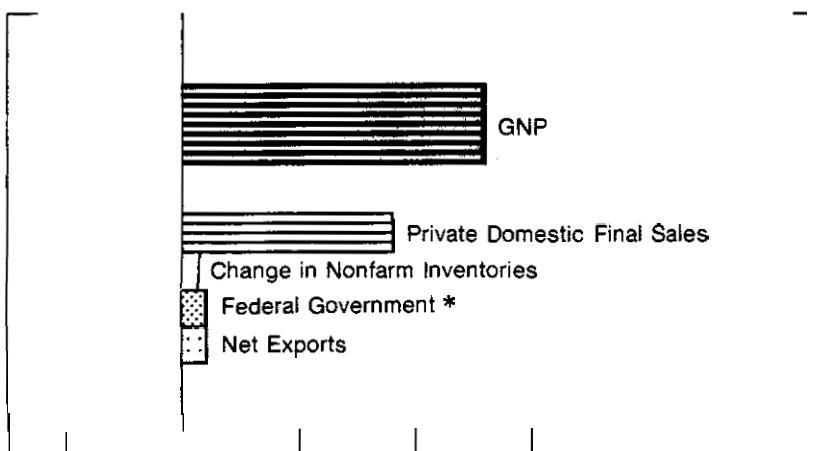
First Half 1983



Second Half 1983

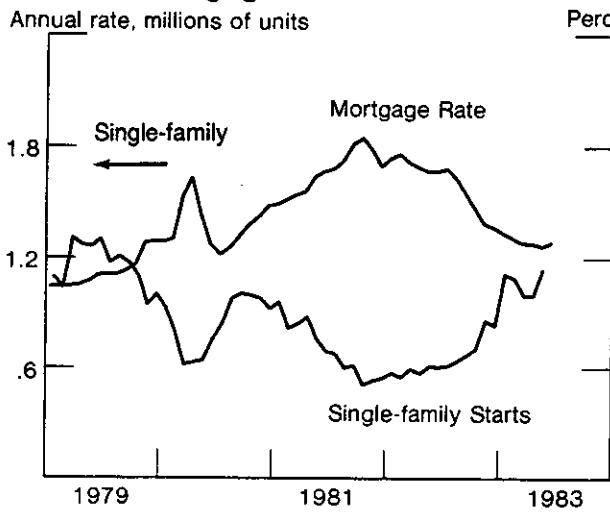


Year 1984

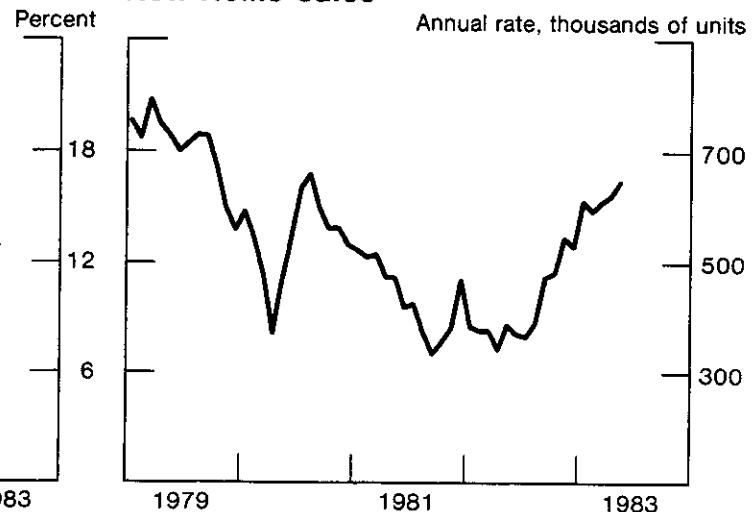


* Excludes Commodity Credit Corporation

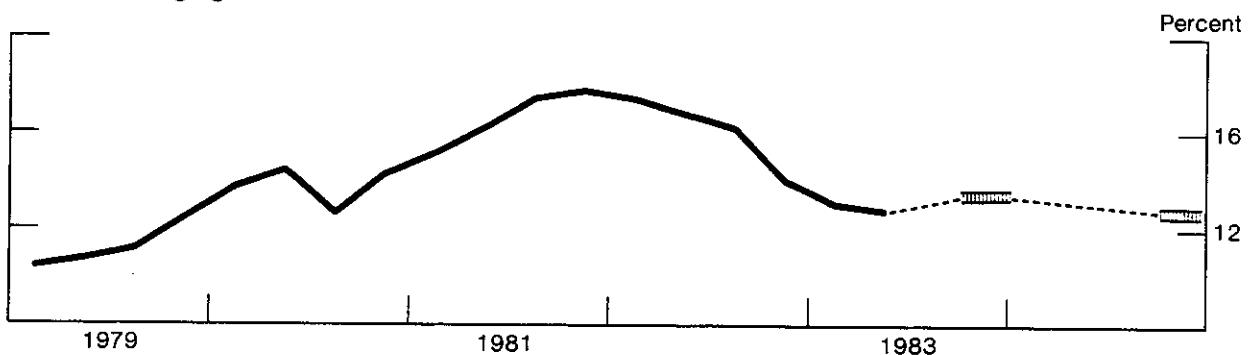
Housing Starts and Home Mortgage Rate



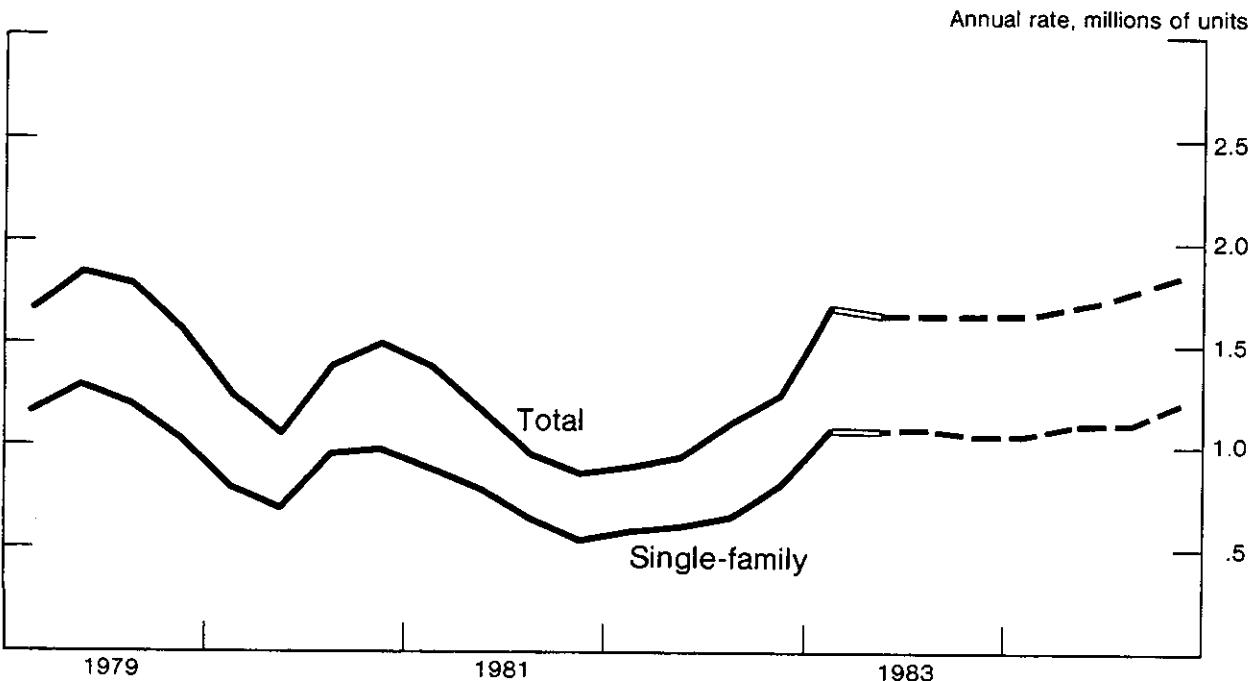
New Home Sales



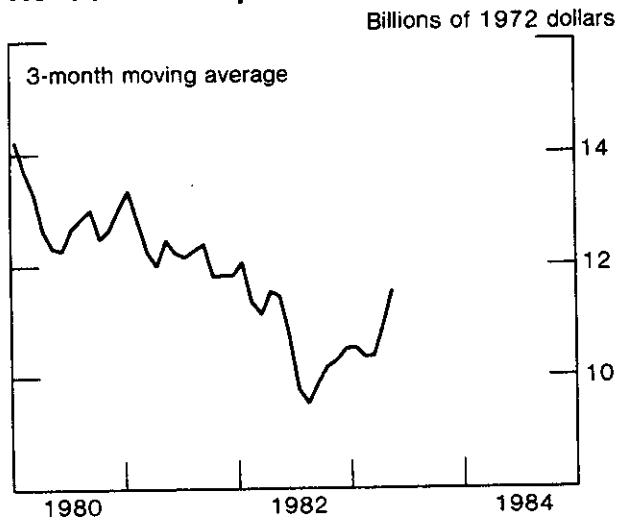
Home Mortgage Rate



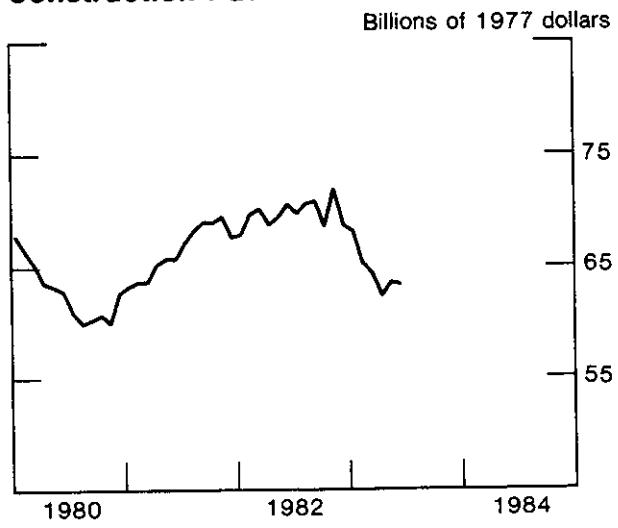
Housing Starts



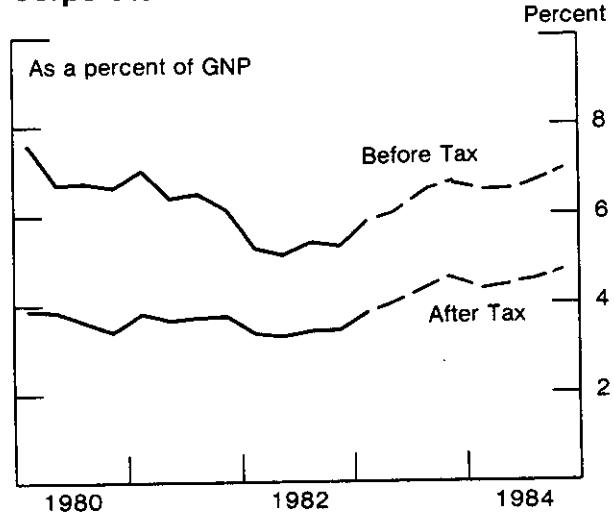
Real New Orders for Nondefense Capital Goods



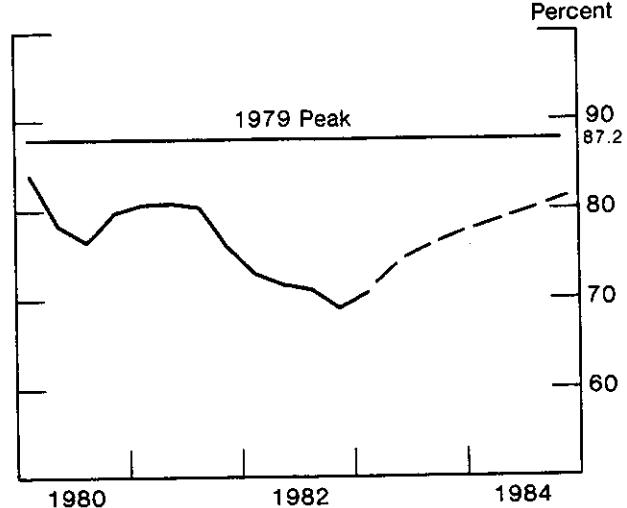
Value of New Nonresidential Construction Put in Place



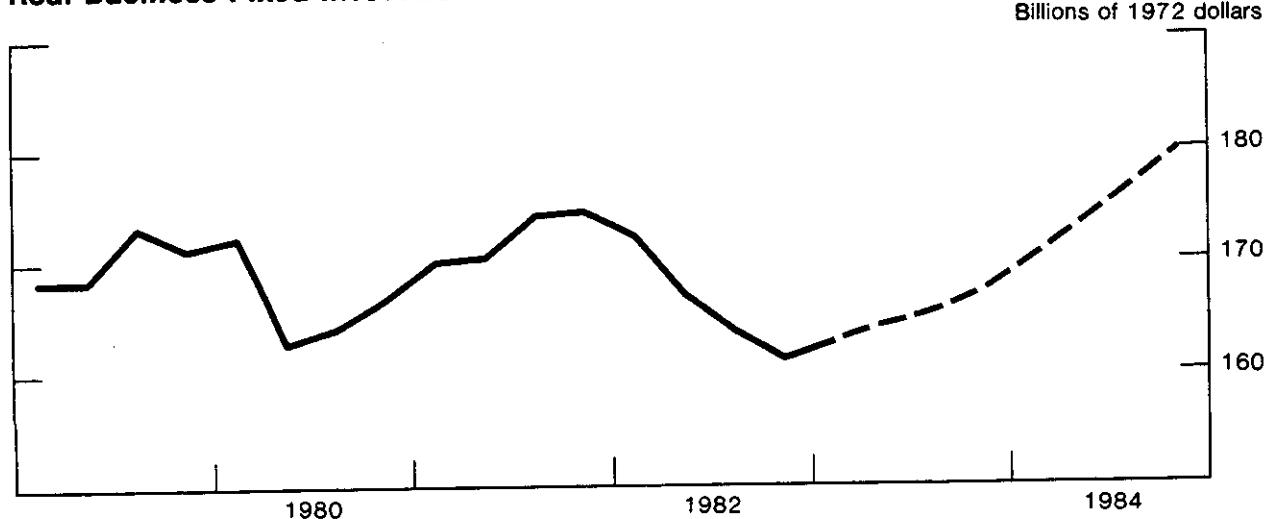
Corporate Economic Profits



Manufacturing Capacity Utilization



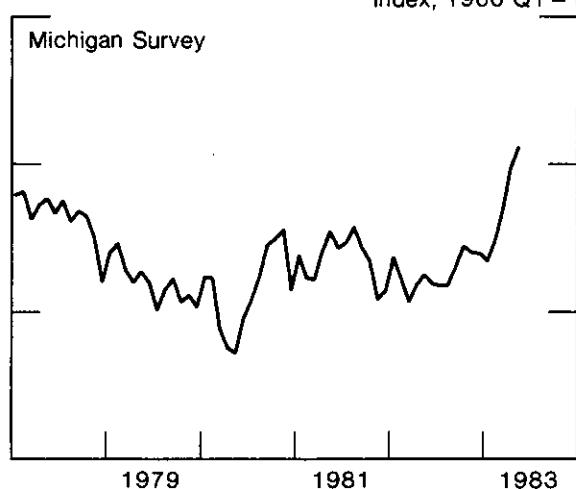
Real Business Fixed Investment



Index of Consumer Sentiment

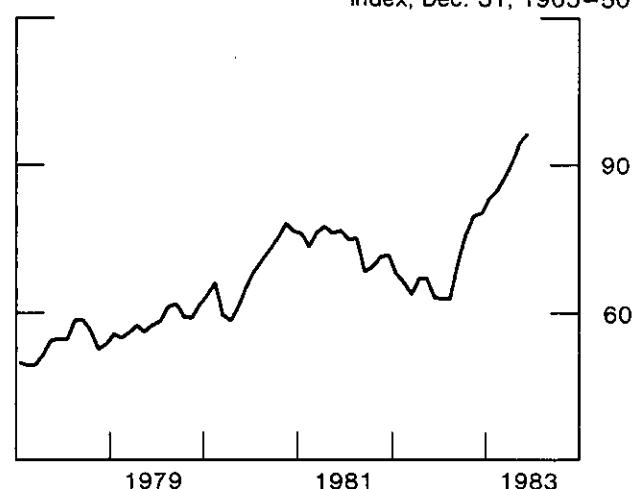
Index, 1966 Q1 = 100

Michigan Survey



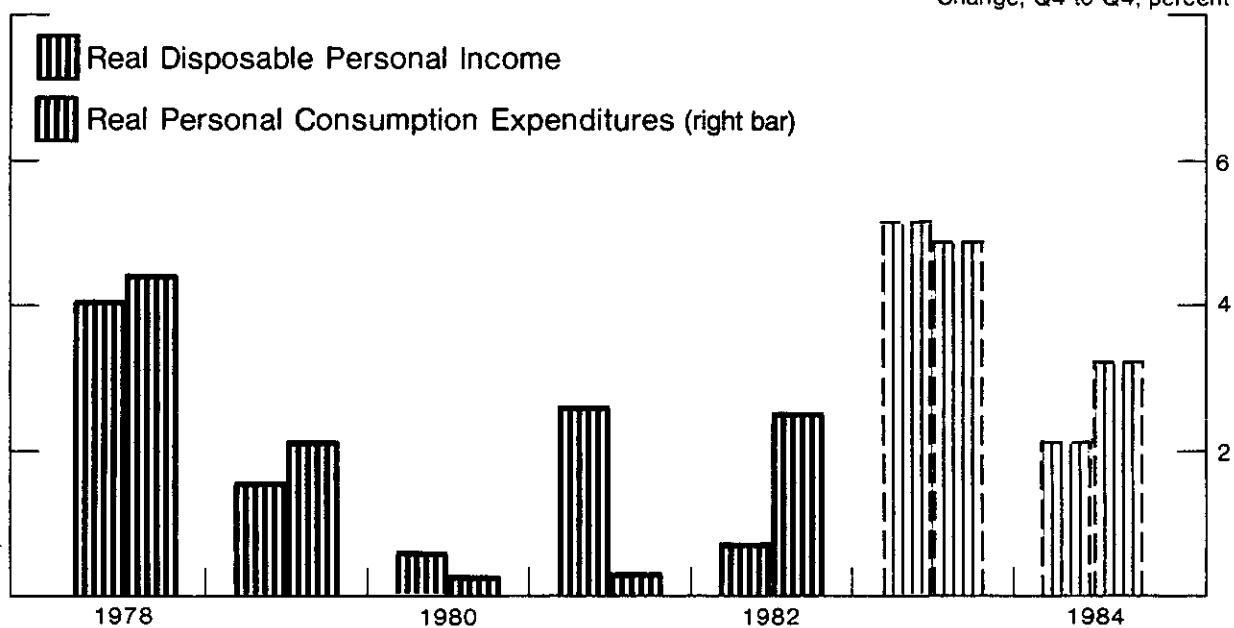
NYSE Stock Index

Index, Dec. 31, 1965 = 50



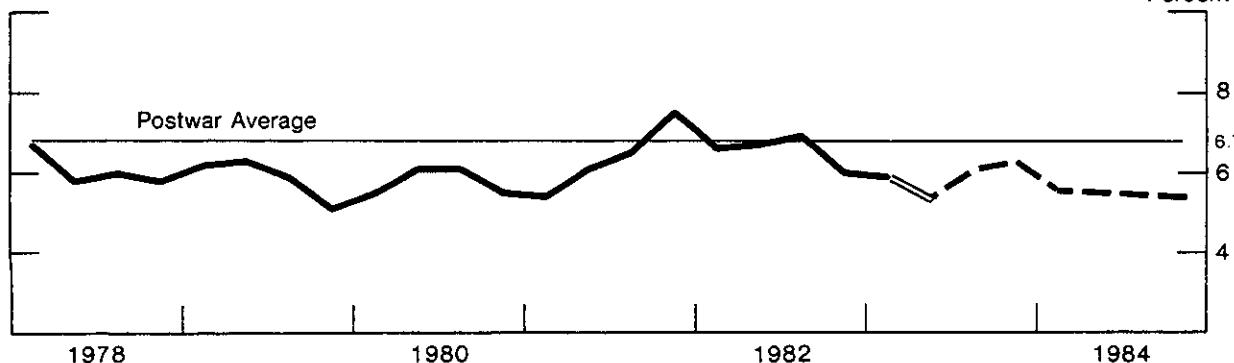
Real Disposable Personal Income and Consumption Expenditures

Change, Q4 to Q4, percent



Saving Rate

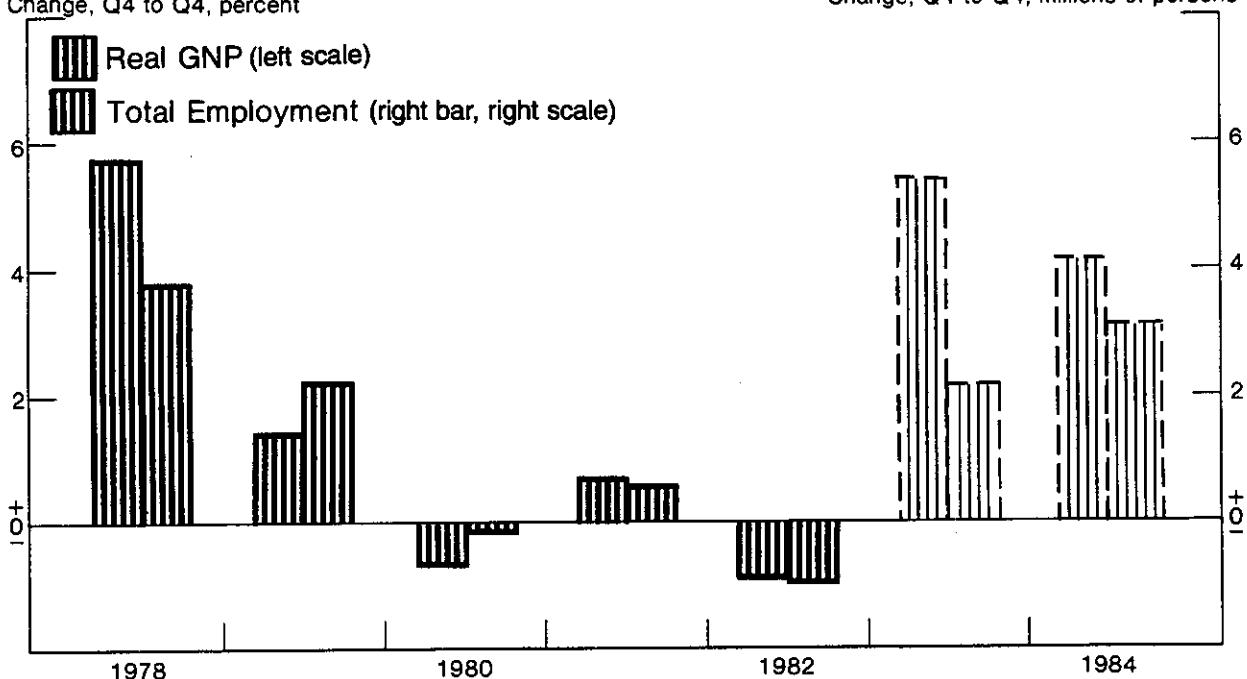
Percent



Total Employment and Real GNP

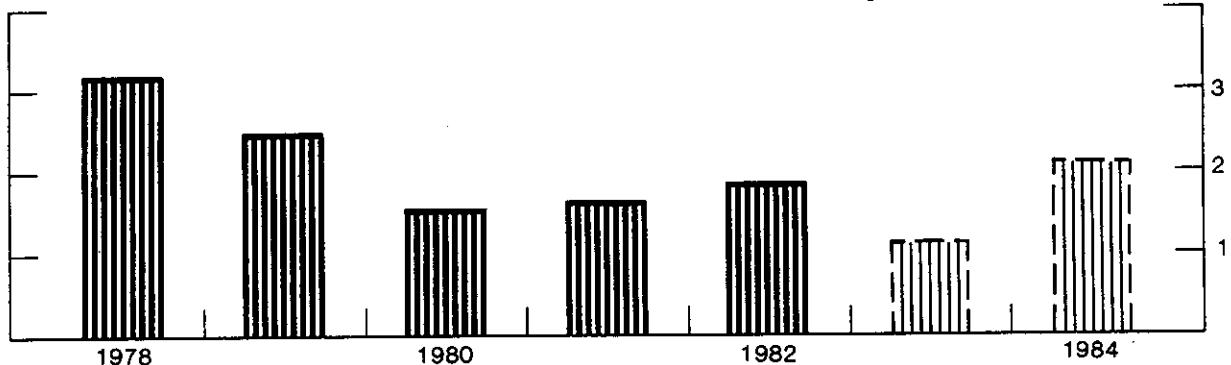
Change, Q4 to Q4, percent

Change, Q4 to Q4, millions of persons



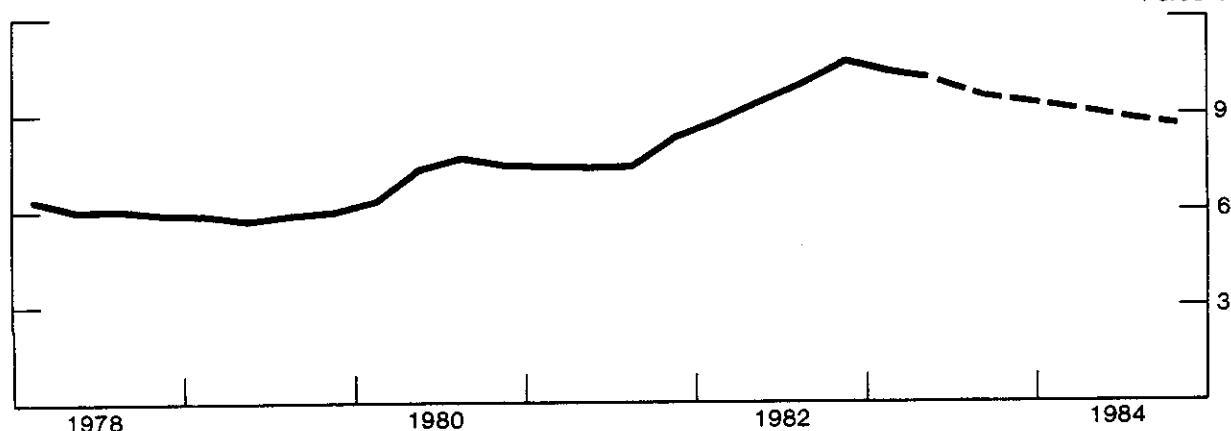
Civilian Labor Force

Change, Q4 to Q4, millions of persons



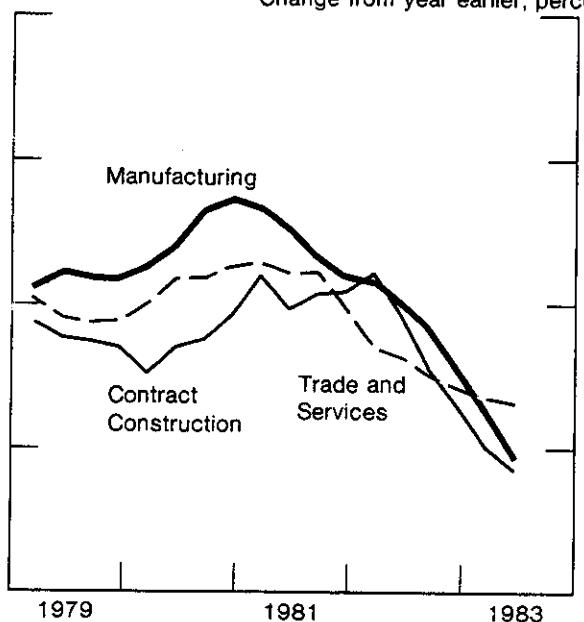
Unemployment Rate

Percent



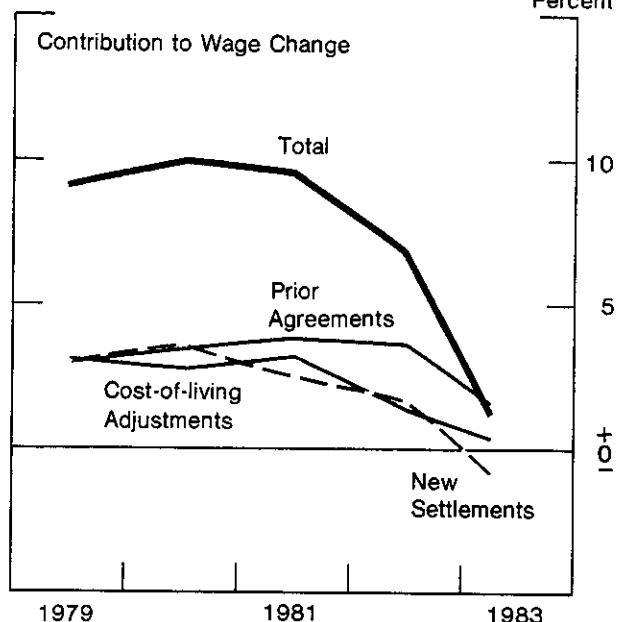
Hourly Earnings Index

Change from year earlier, percent



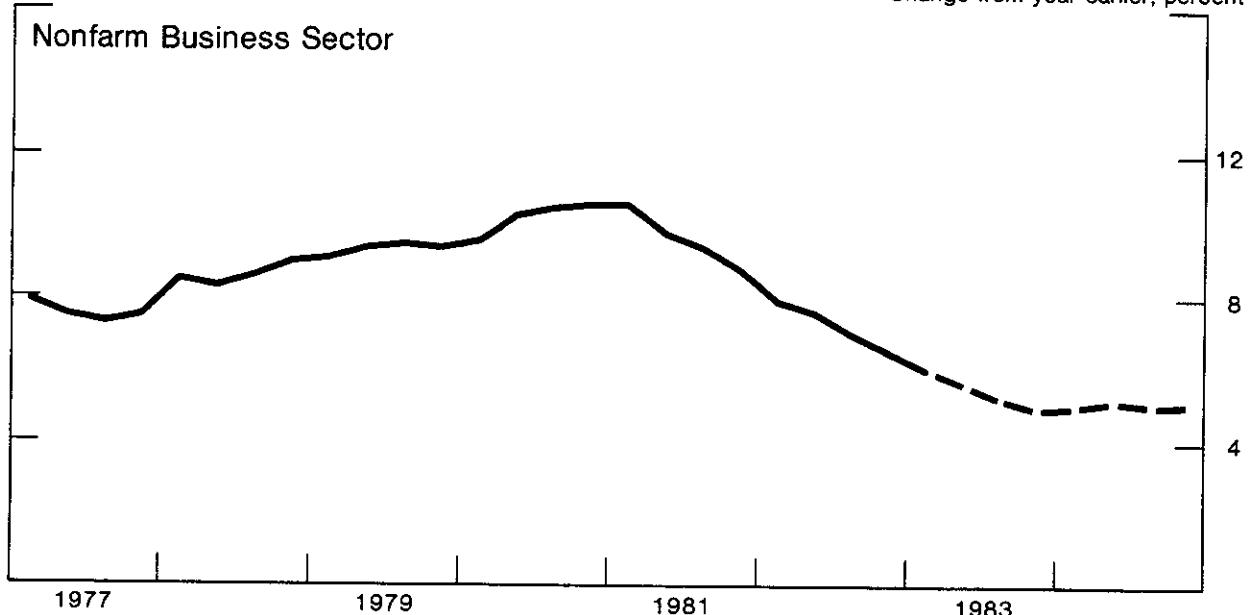
Major Union Contracts

Percent



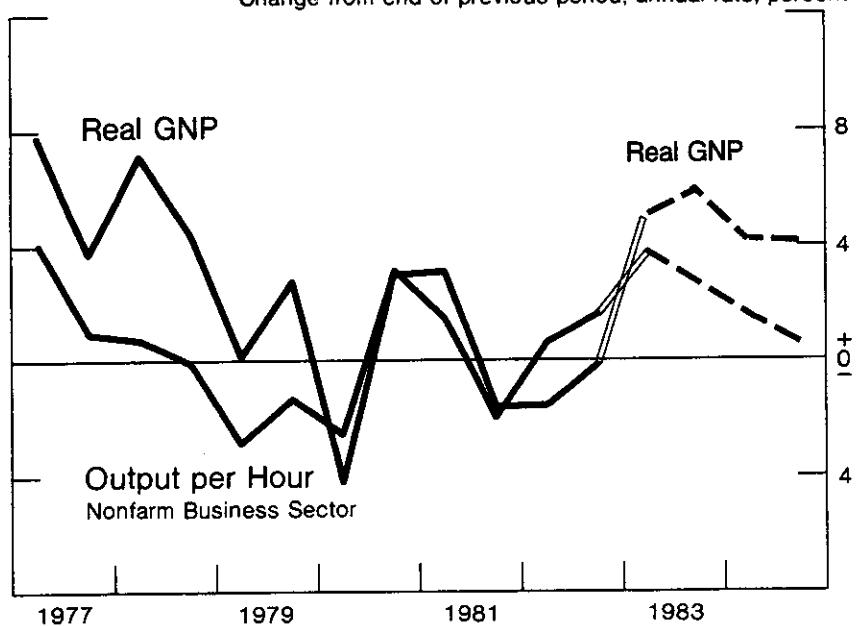
Hourly Compensation

Change from year earlier, percent



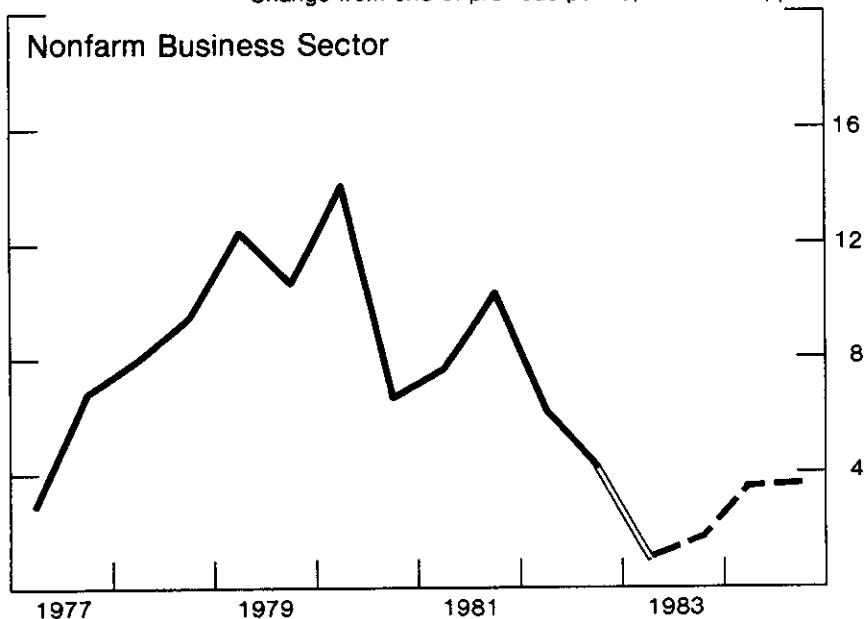
Output per Hour and Real GNP

Change from end of previous period, annual rate, percent



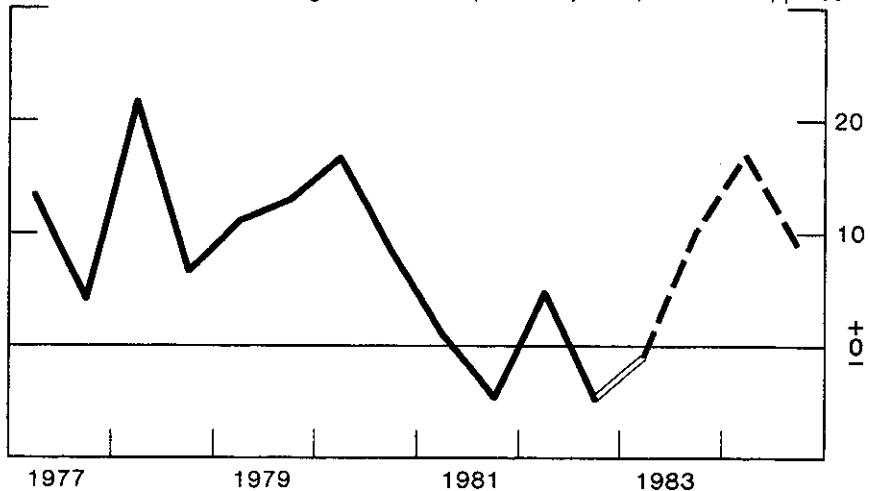
Unit Labor Costs

Change from end of previous period, annual rate, percent



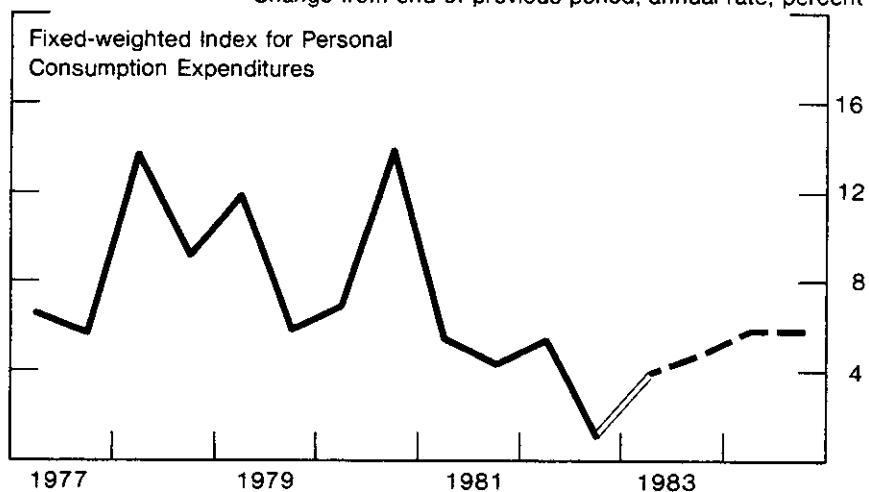
Nonpetroleum Import Prices

Change from end of previous period, annual rate, percent



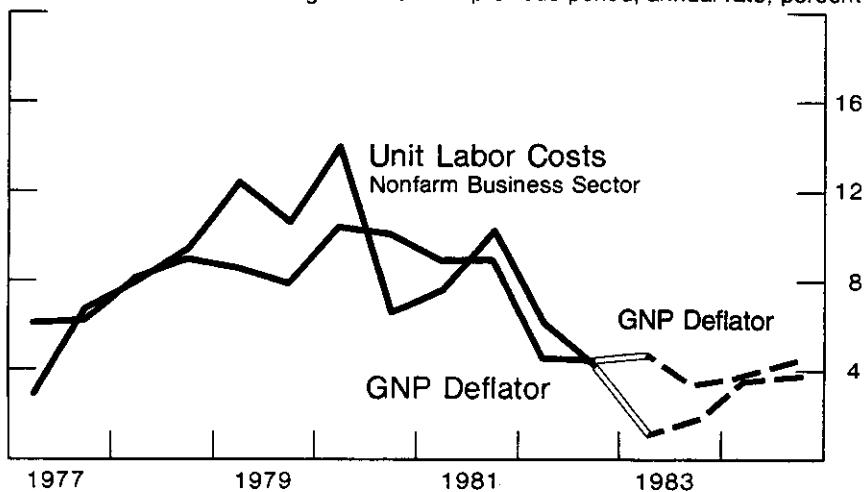
Food Prices

Change from end of previous period, annual rate, percent



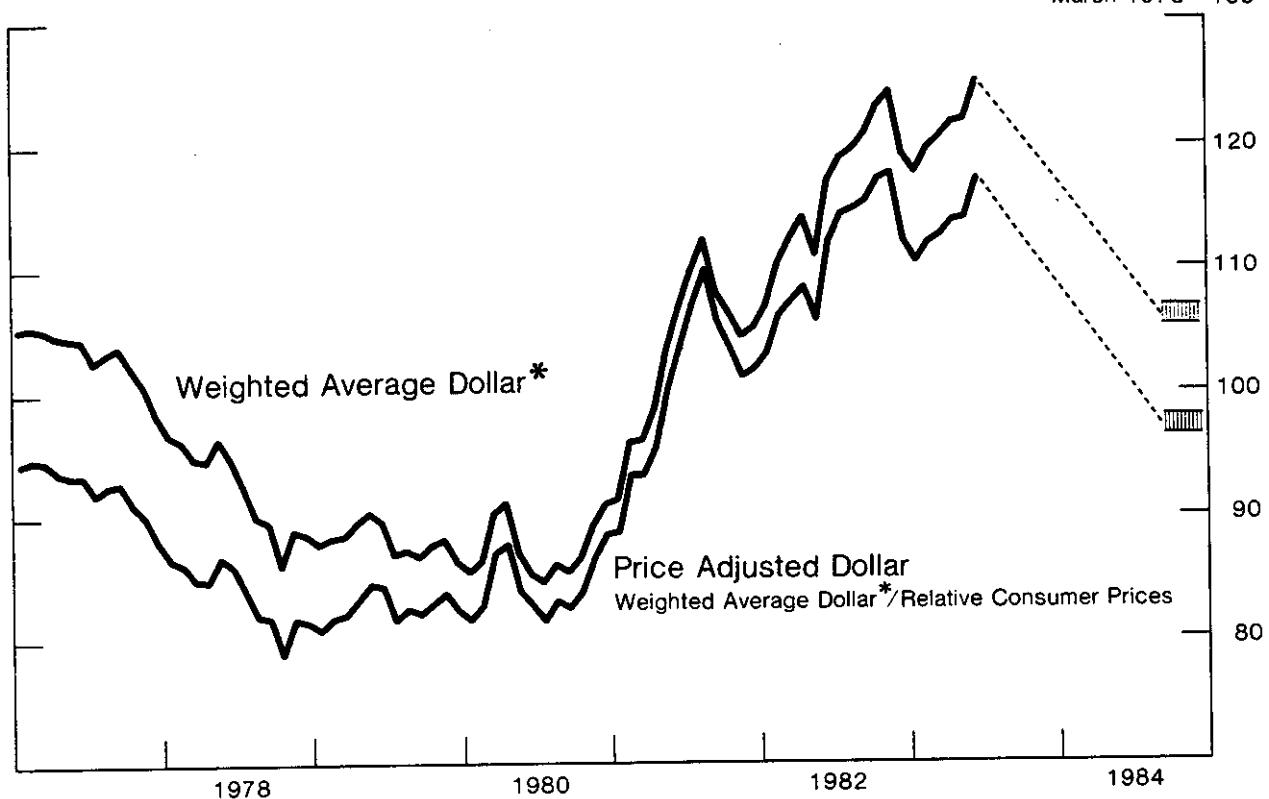
GNP Prices

Change from end of previous period, annual rate, percent



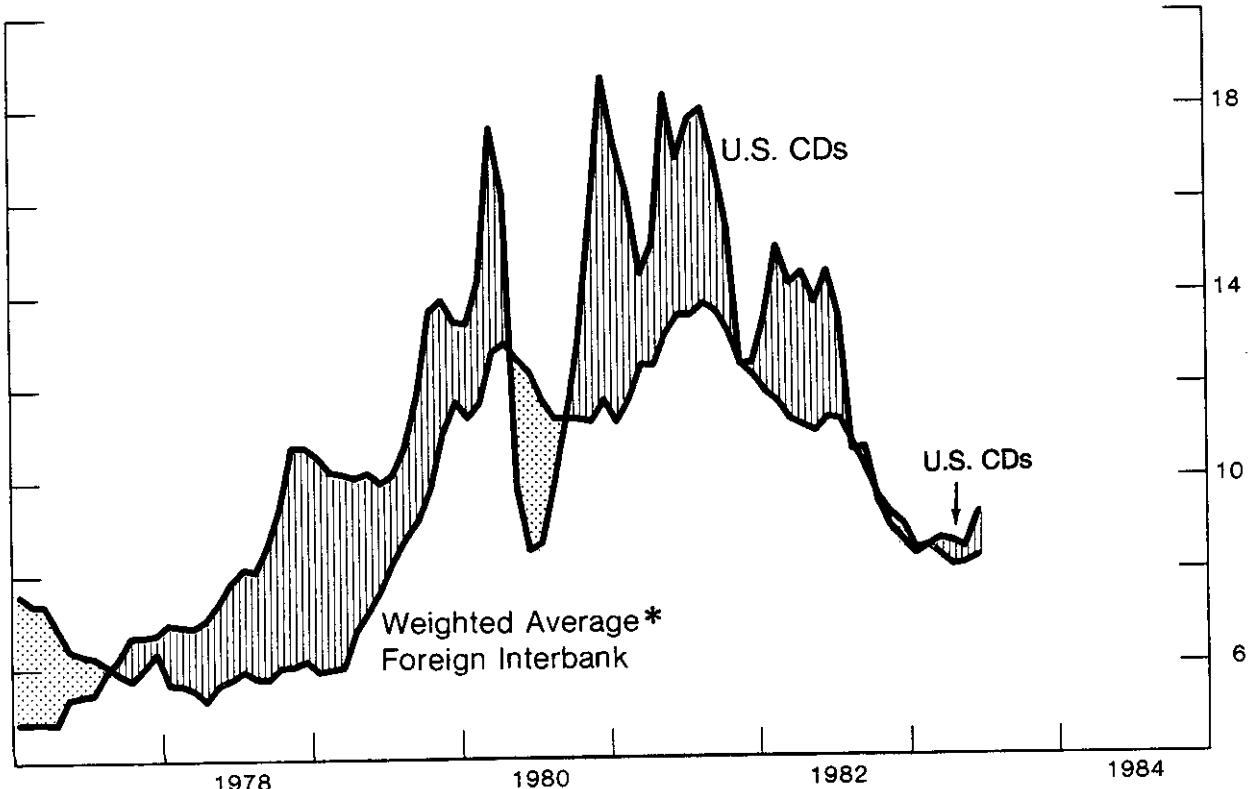
Foreign Exchange Value of the U.S. Dollar

March 1973 = 100



Short-term Interest Rates

Percent per annum

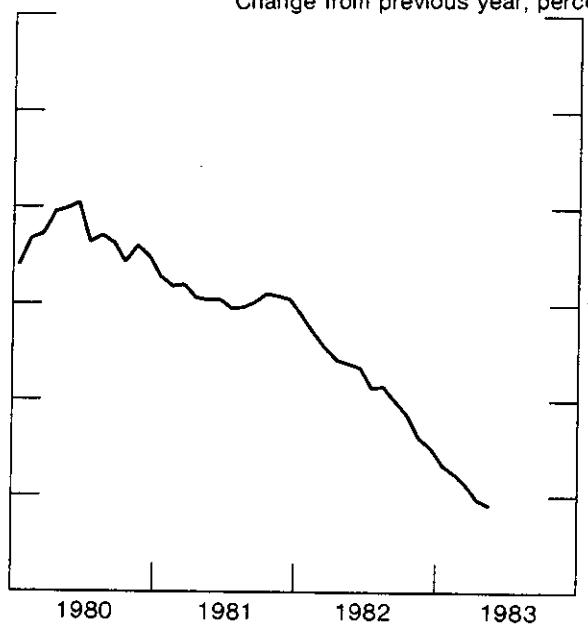


* Weighted average against or of G-10 countries plus Switzerland using total 1972-1976 average trade of these countries.

Industrial Countries

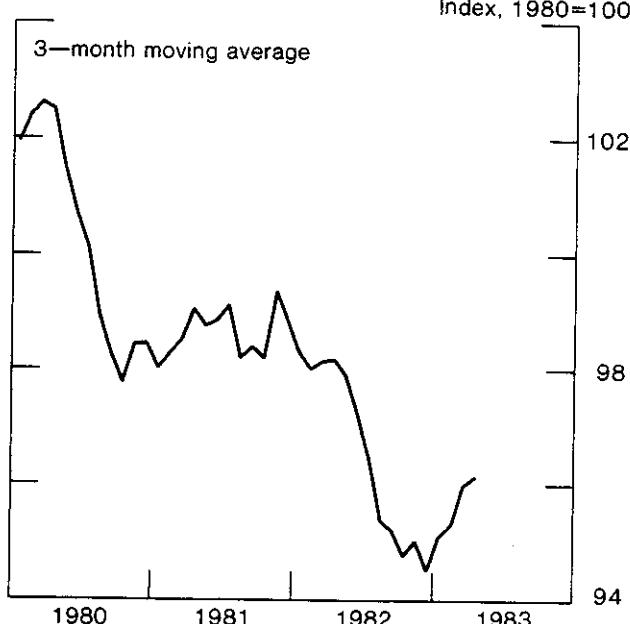
Consumer Prices *

Change from previous year, percent



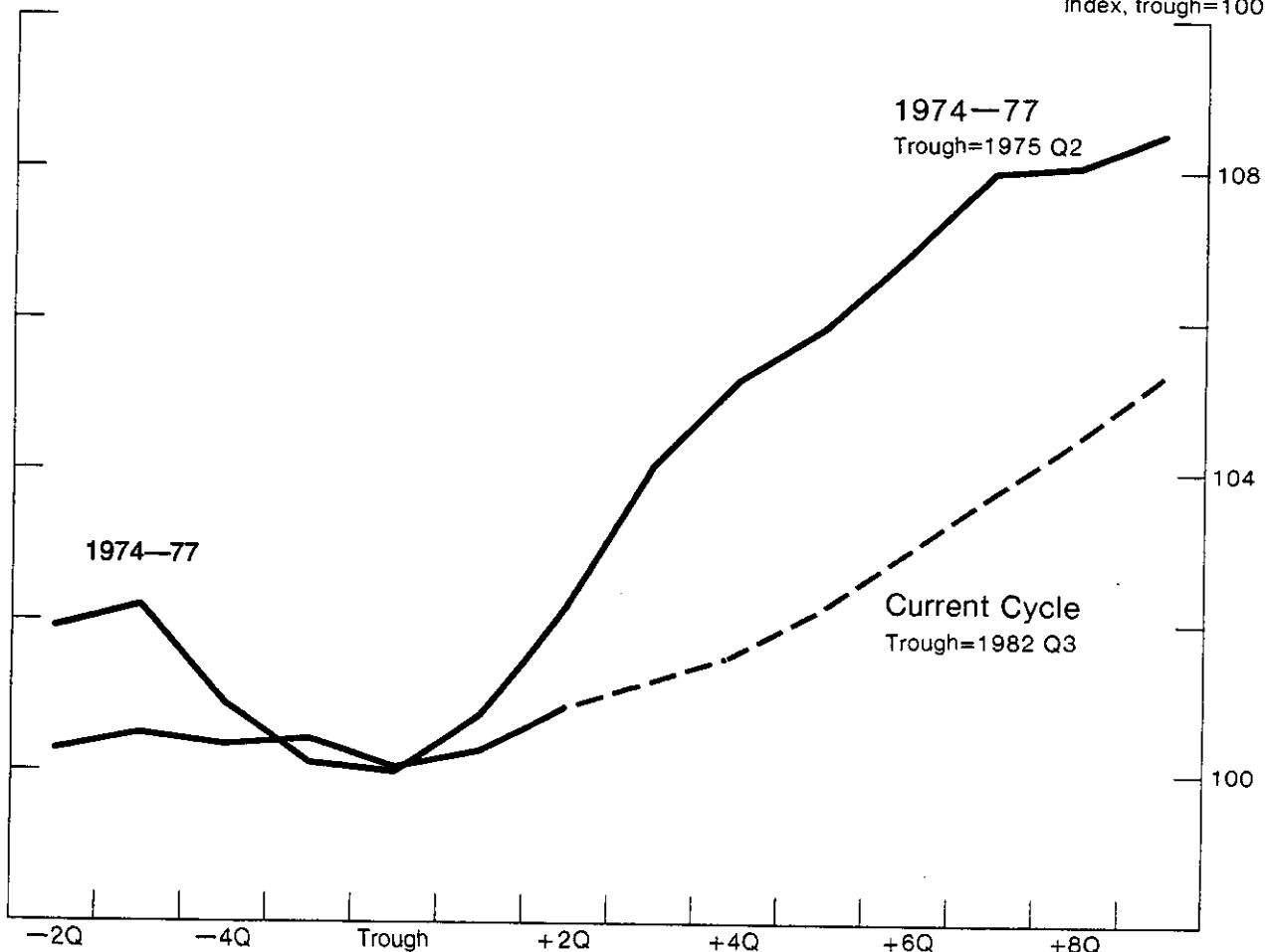
Industrial Production *

Index, 1980=100



Comparison of Real GNP Cycles **

Index, trough=100

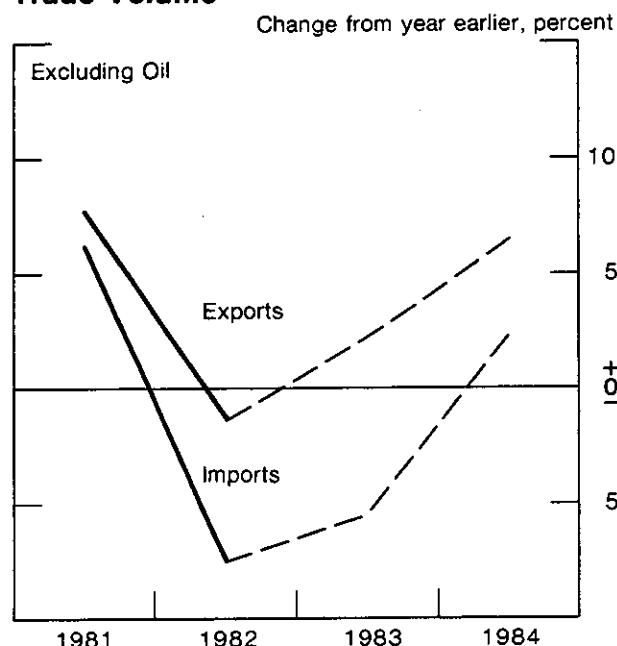


* Weighted average of six major countries using total 1972-1976 average trade of these countries.

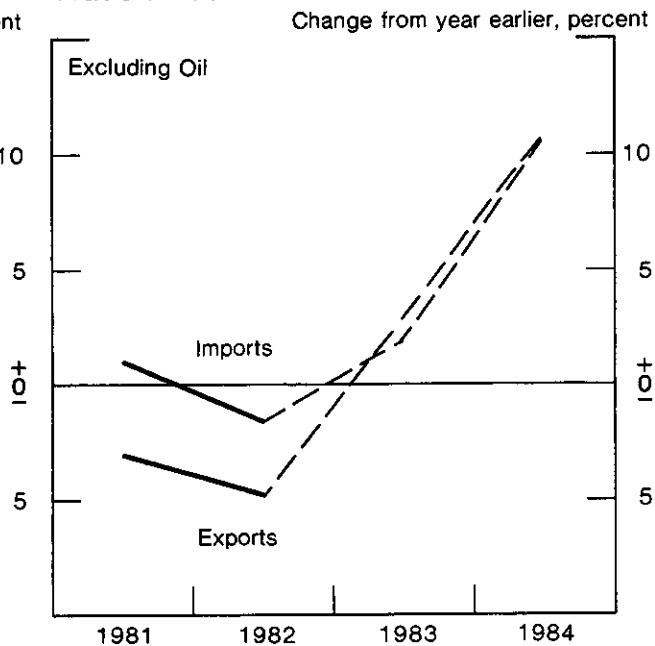
** Weighted average of G-10 countries plus Switzerland using total 1972-1976 average trade of these countries.

Non-OPEC Developing Countries

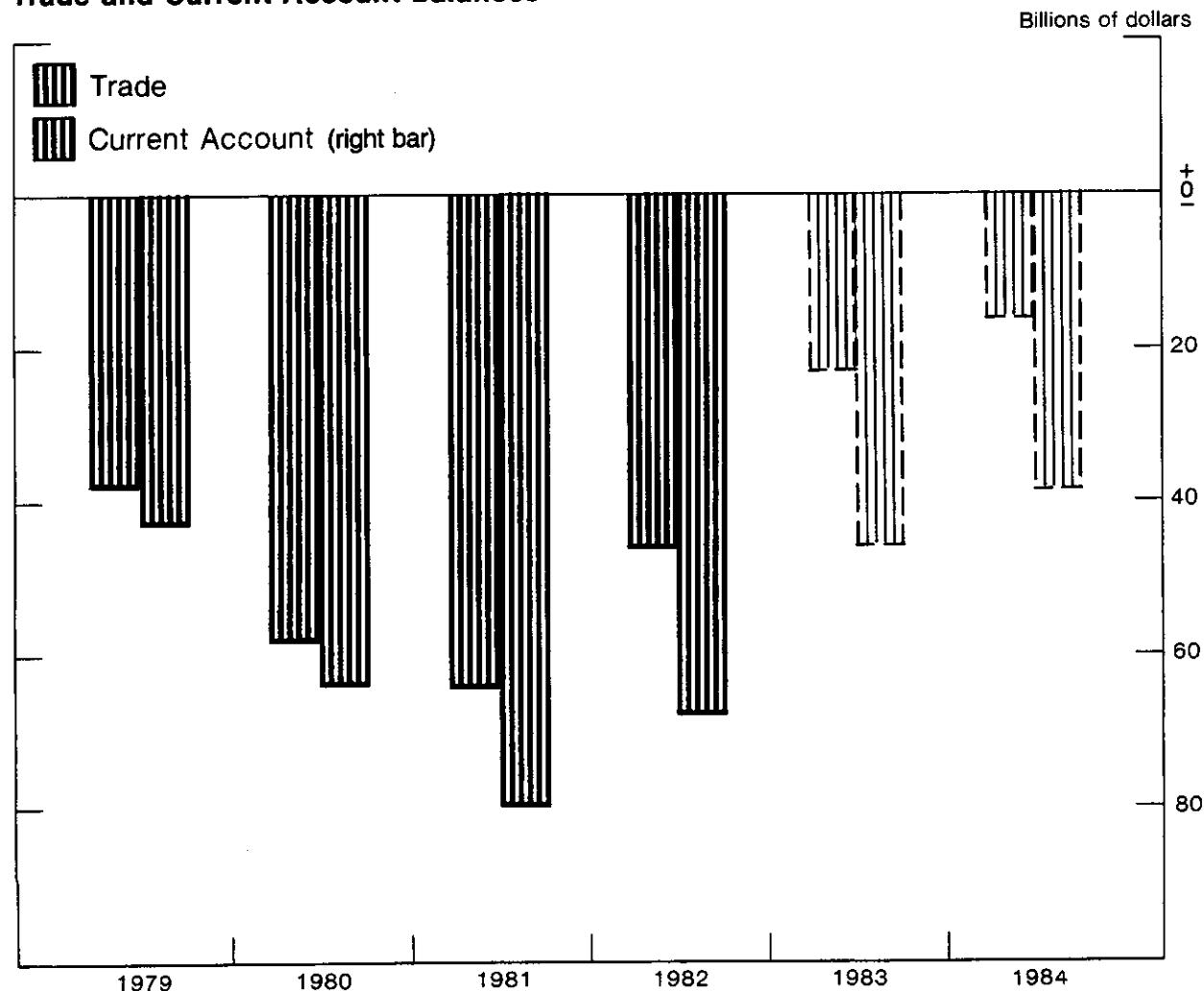
Trade Volume



Trade Prices

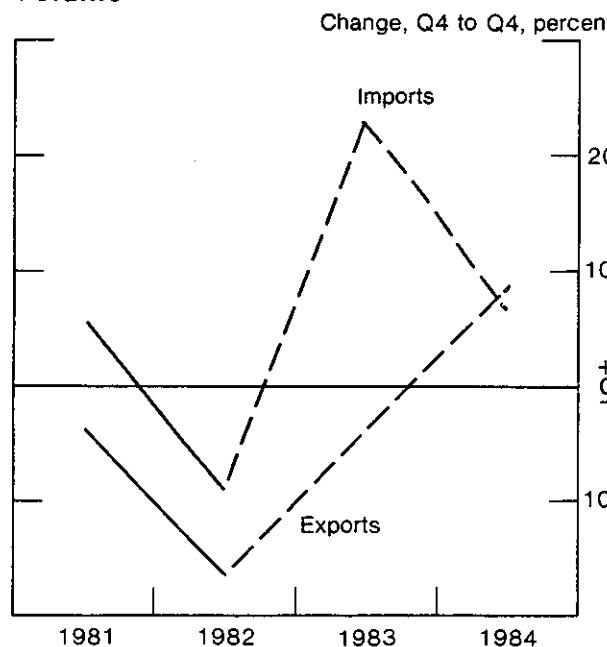


Trade and Current Account Balances

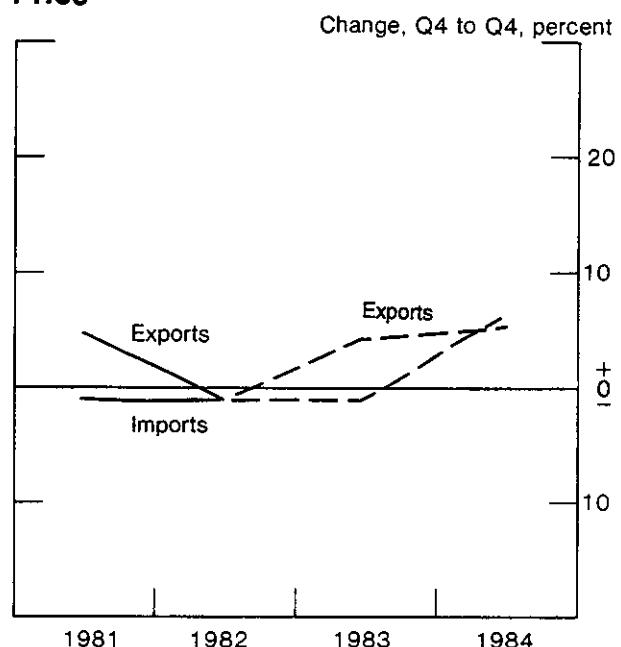


U.S. Merchandise Trade

Volume



Price

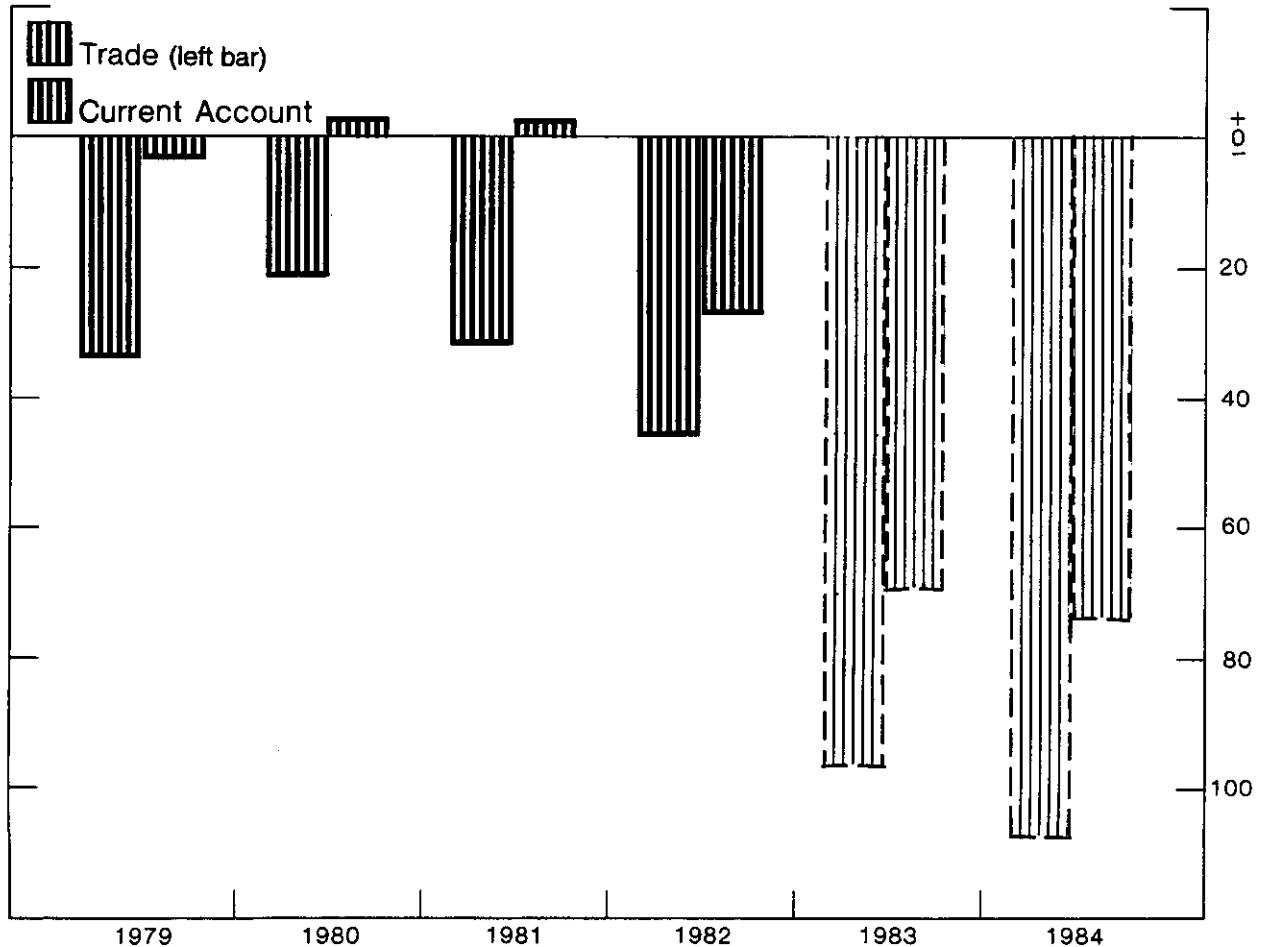


Trade and Current Account Balances

Q4, seasonally adjusted, annual rate, billions of dollars

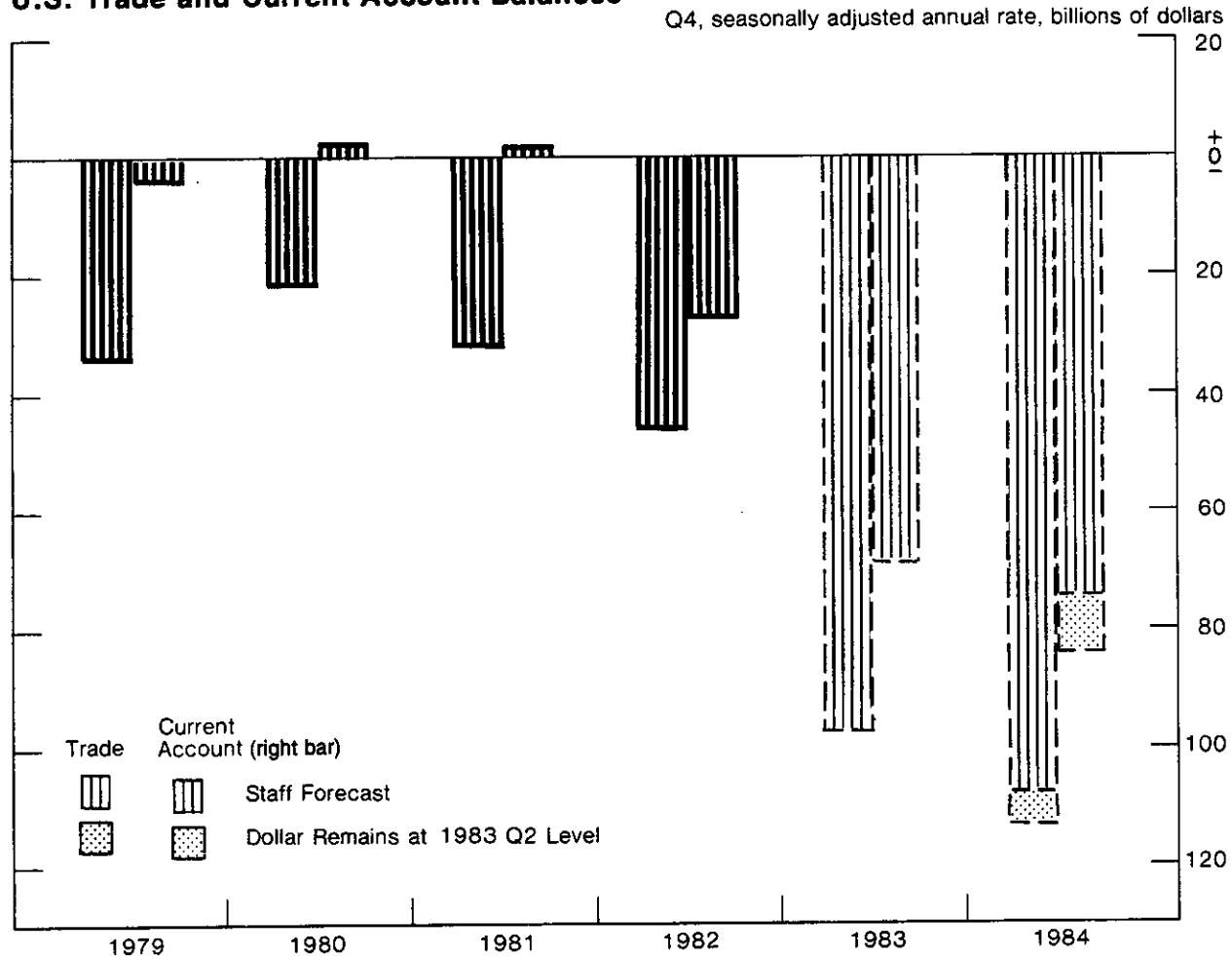
Trade (left bar)

Current Account

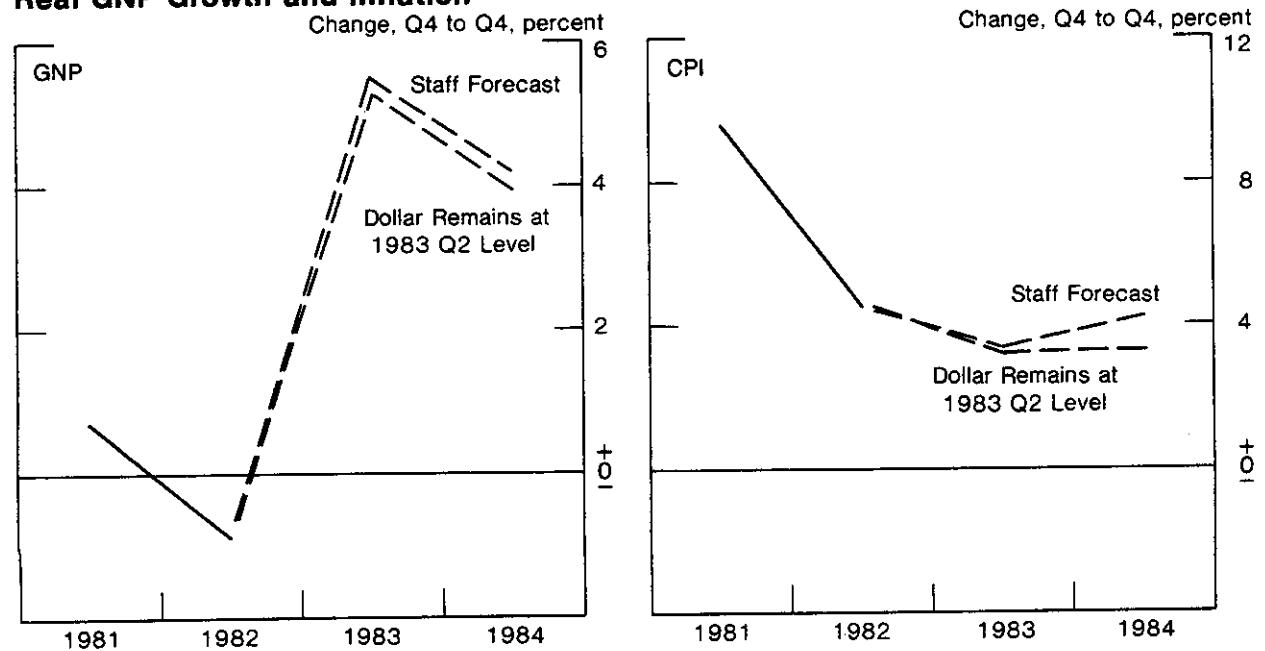


Estimated Effects of Stronger Dollar

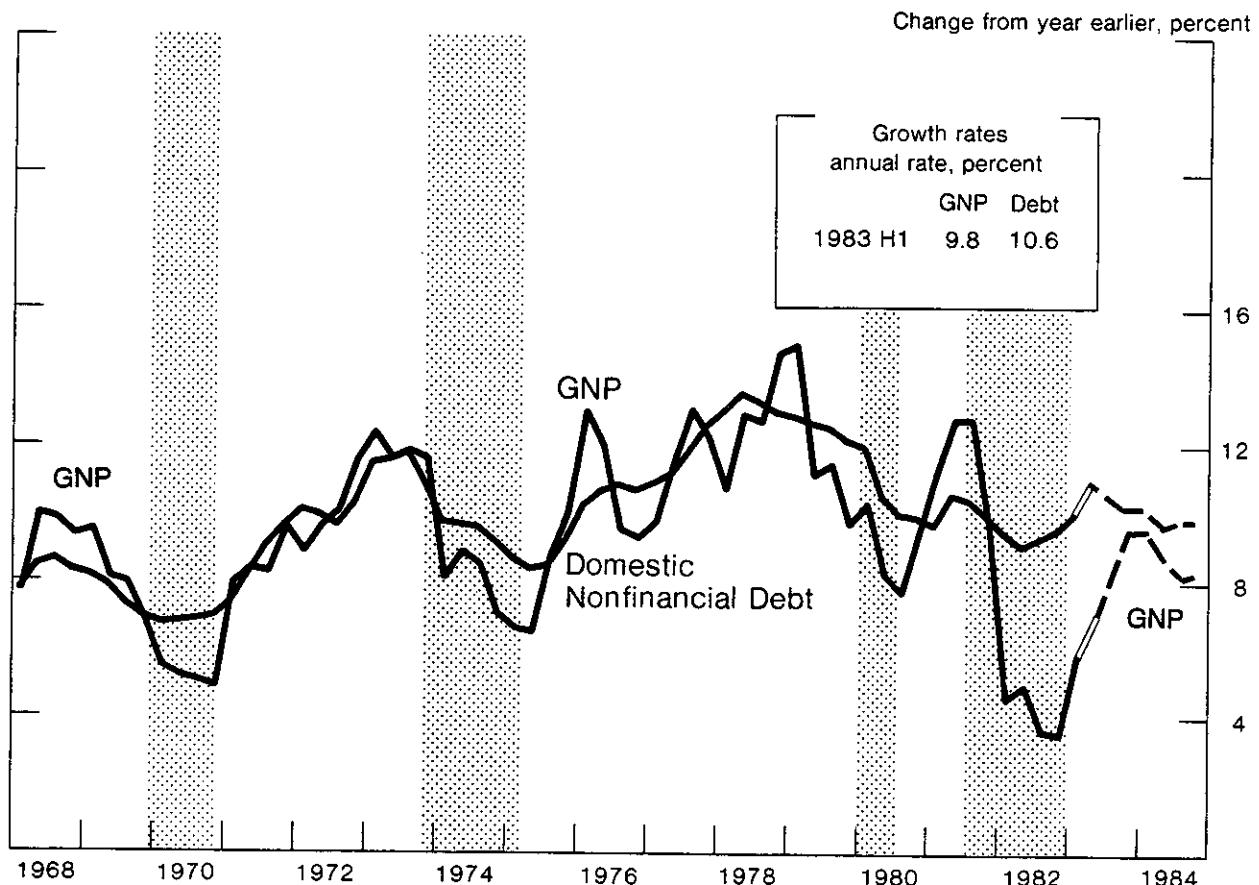
U.S. Trade and Current Account Balances



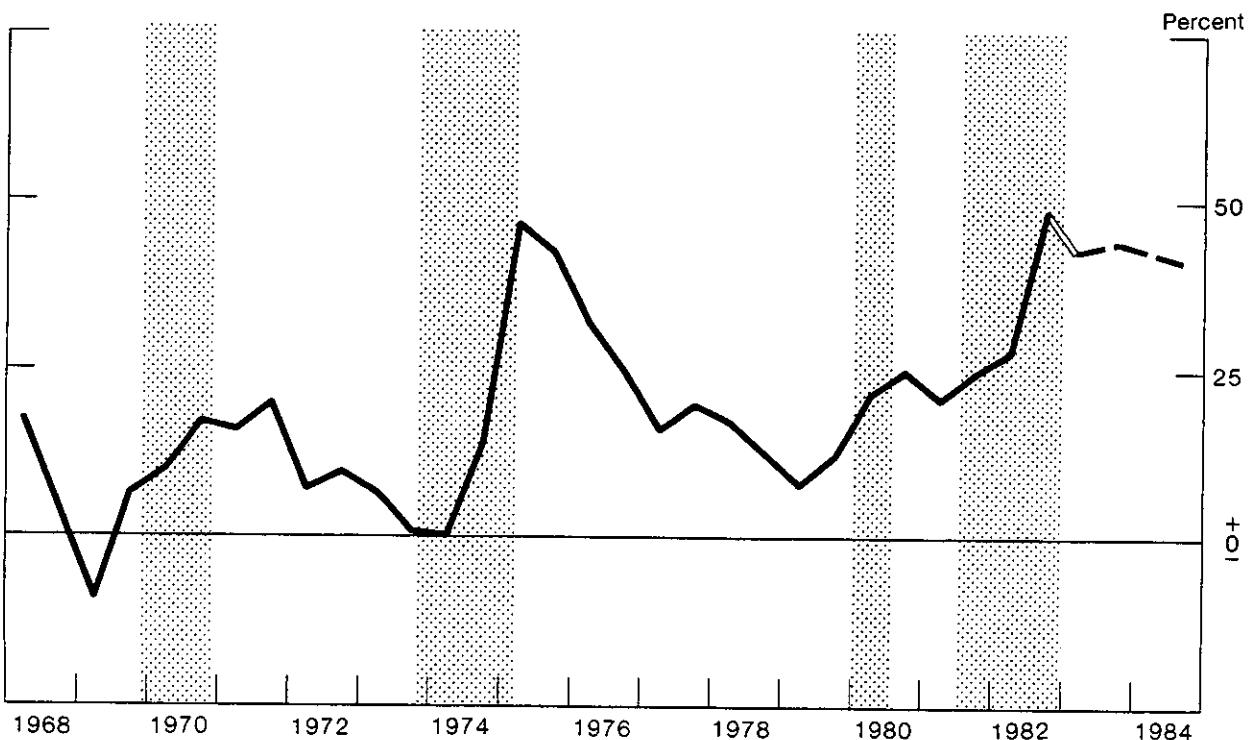
Real GNP Growth and Inflation



GNP and Credit Growth

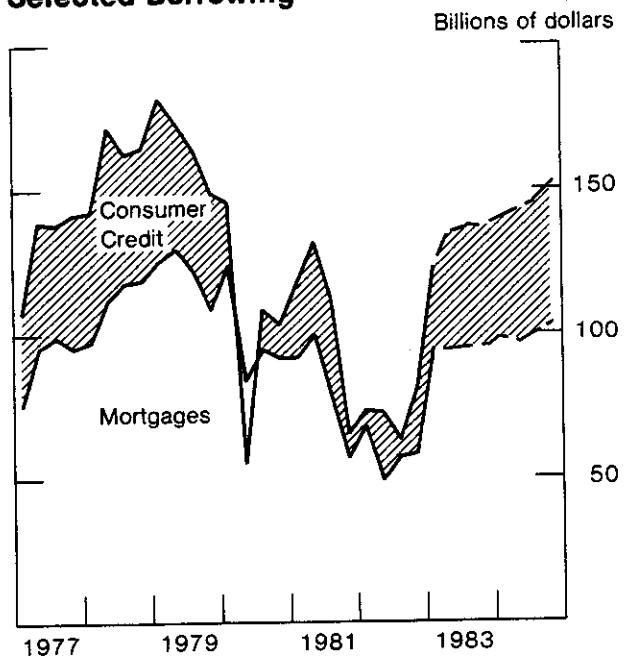


Federal Government Share of Total Credit Flows

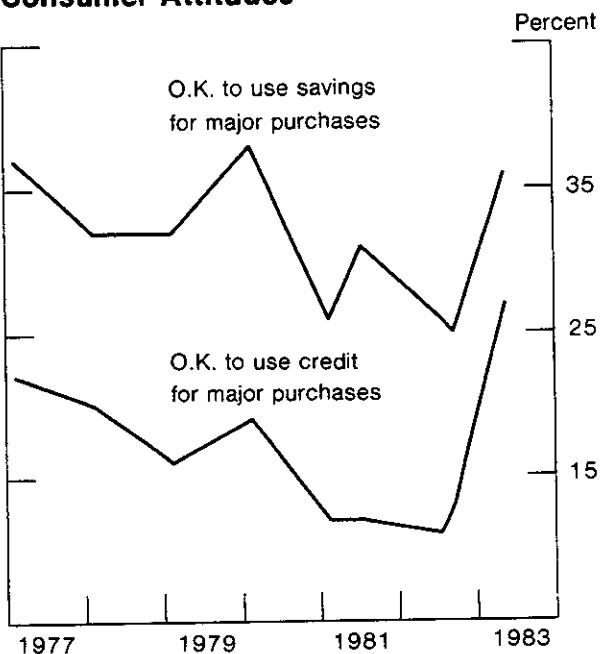


Households

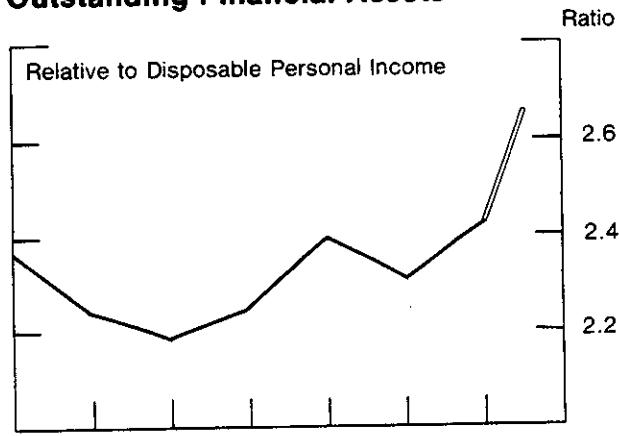
Selected Borrowing



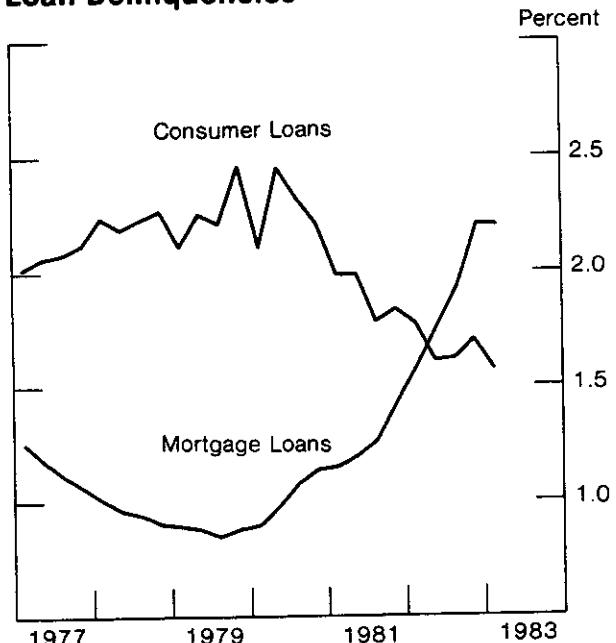
Consumer Attitudes



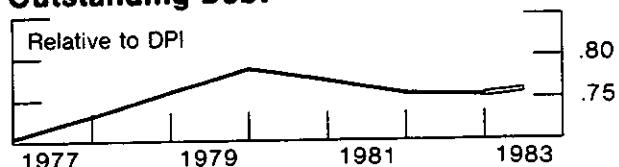
Outstanding Financial Assets



Loan Delinquencies

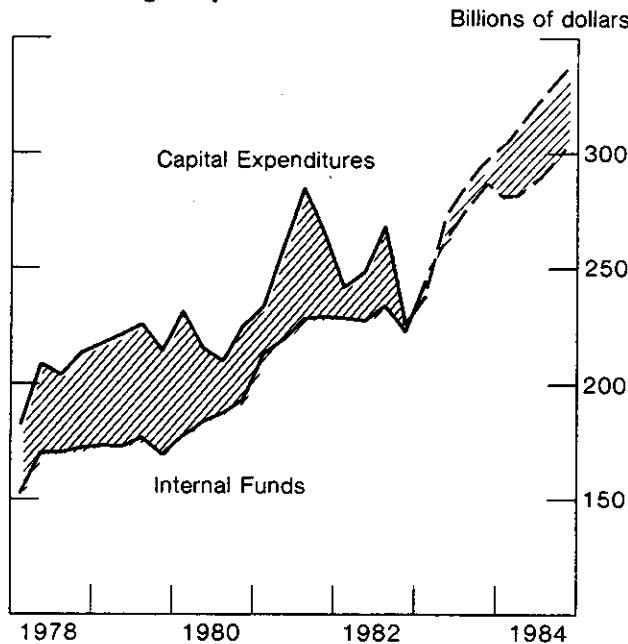


Outstanding Debt

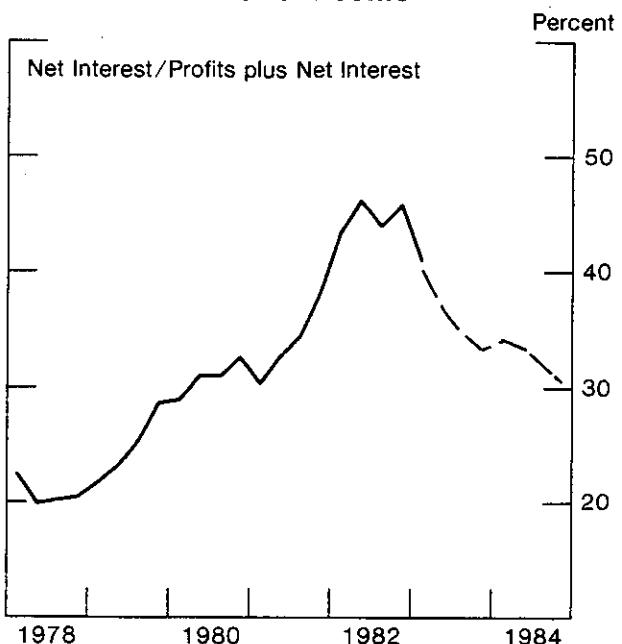


Nonfinancial Corporations

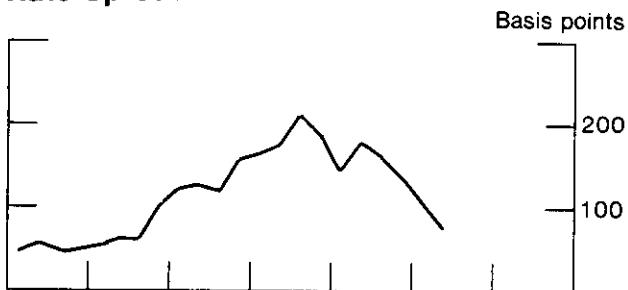
Financing Gap



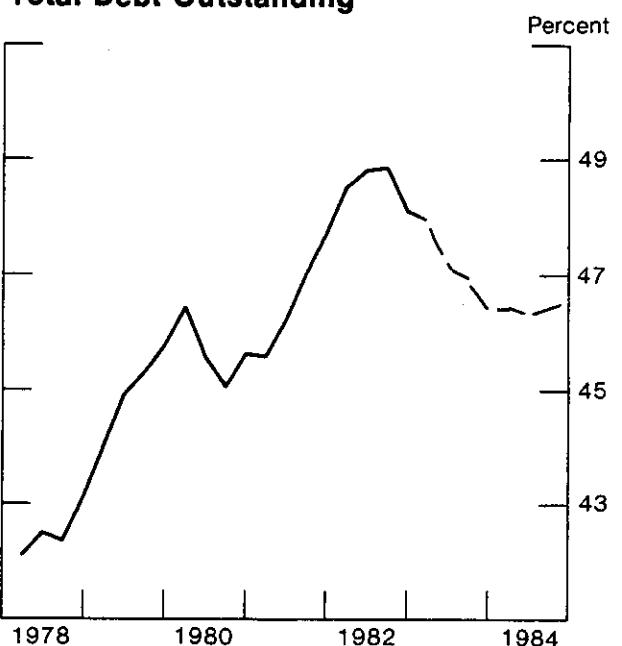
Interest Relative to Income



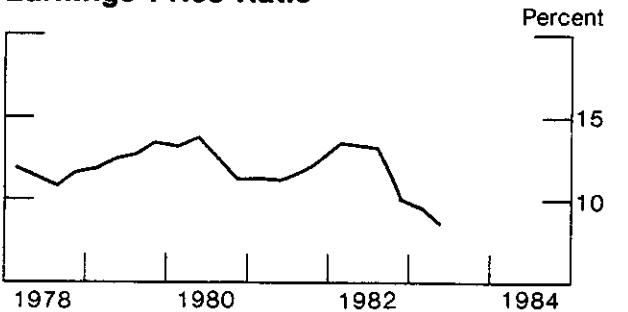
Corporate Less Government Bond Rate Spread



Short-term Debt Relative to Total Debt Outstanding

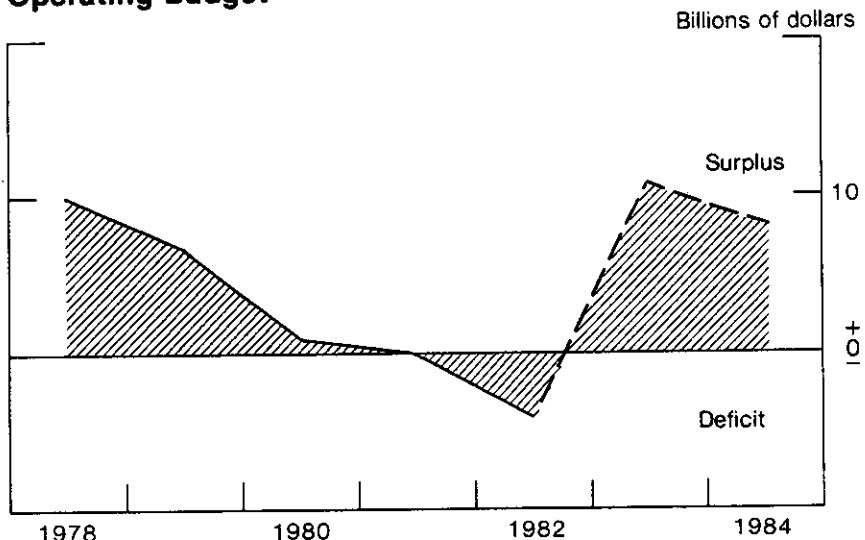


Earnings-Price Ratio

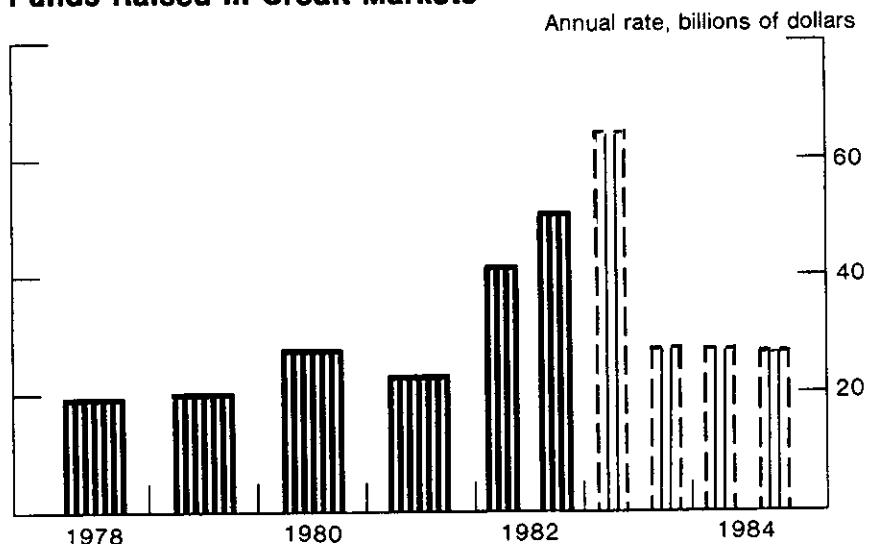


State and Local Government

Operating Budget



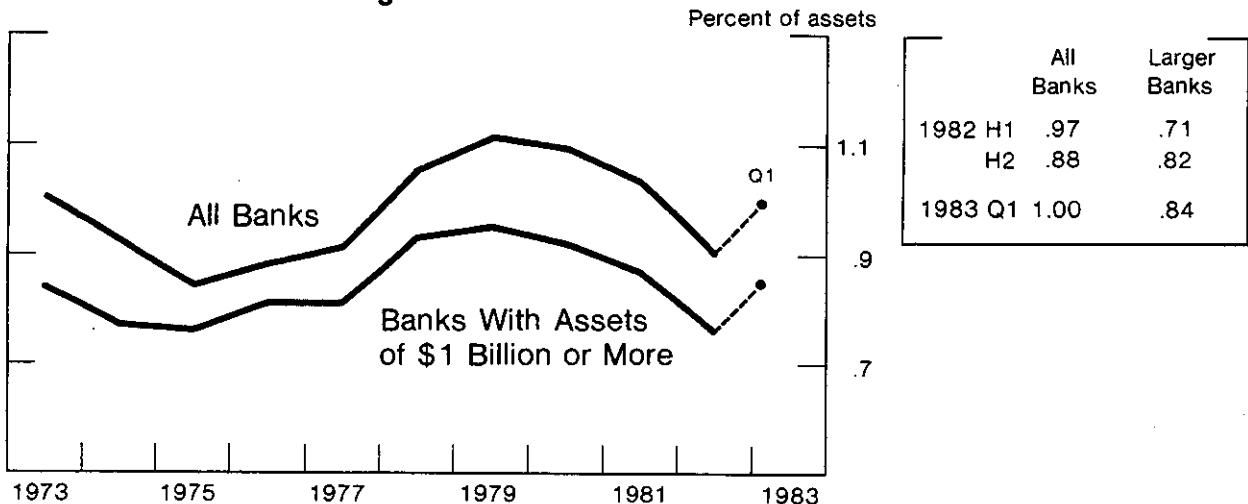
Funds Raised in Credit Markets



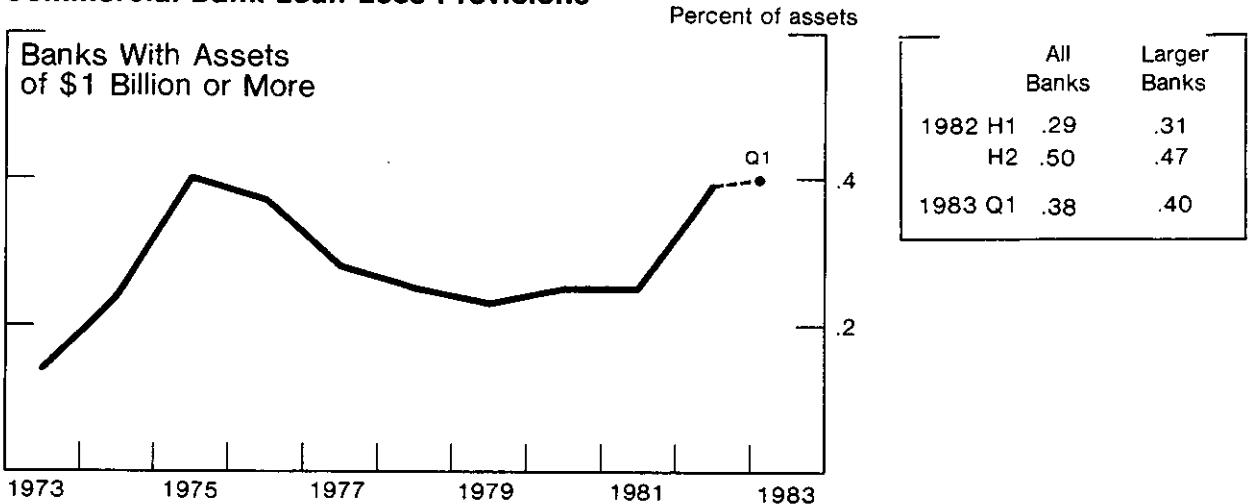
Selected Sources and Uses of Funds

	Annual rate, billions of dollars		
	1981	1982	1983 H1
Net borrowing	22.3	45.8	64.5
Net acquisition of financial assets	23.0	42.4	75.2
U.S. Treasury	8.8	30.0	72.0

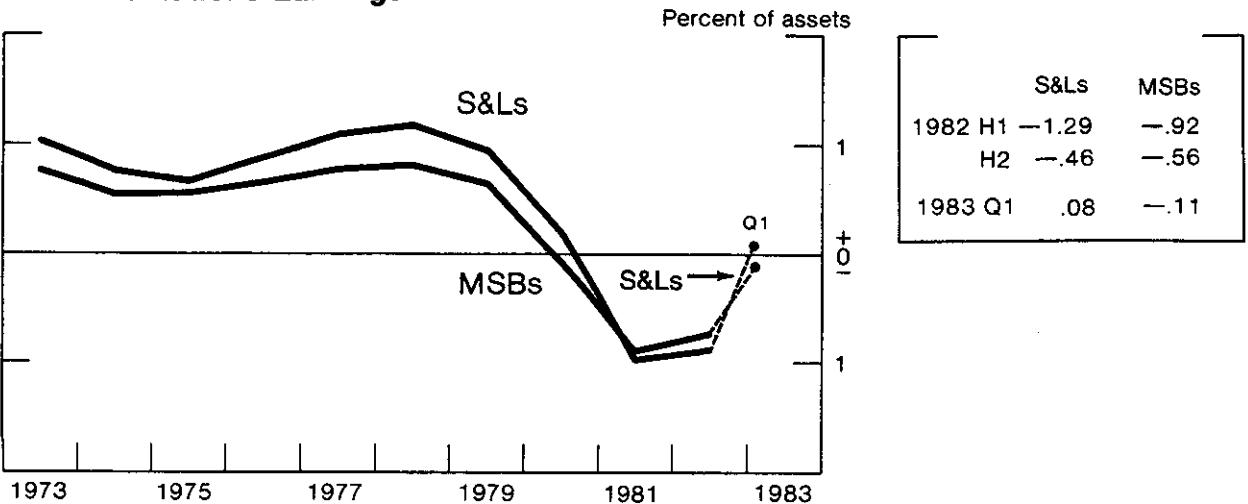
Commercial Bank Earnings



Commercial Bank Loan Loss Provisions



Thrift Institutions Earnings



Forecast Summary

Percent change, Q4 to Q4	Board Members		Voting Presidents		Nonvoting Presidents		Staff	Adminis- tration
	Range	Median	Range	Median	Range	Median		
Nominal GNP								
1983	9 1/4 to 10 1/2	10	9 1/2 to 11 1/2	9 3/4	9 to 11 1/4	10 1/4	9.6	10.4
1984	7 to 10 1/2	9 1/4	8 1/4 to 11	10	7 3/4 to 11 1/4	9 1/2	8.3	9.7
Real GNP								
1983	5 to 6	5 1/2	4 1/4 to 6	5	4 1/2 to 6	5	5.5	5.5
1984	3 to 5 1/4	4 1/2	3 to 4 1/2	4 1/4	4 to 5	4 1/2	4.2	4.5
GNP Deflator								
1983	4 to 5	4 1/4	4 1/2 to 5 1/2	4 1/2	4 1/4 to 5 1/2	4 1/2	3.9	4.6
1984	3 3/4 to 5	4 3/4	4 to 7	5 1/2	3 1/2 to 7	5	4.1	5.0
Average Q4 level								
Unemployment Rate								
1983	9 1/4 to 9 1/2	9 1/2	8 1/4 to 9 1/4	9 1/2	9 1/4 to 9 1/2	9 1/2	9.4	9.6
1984	8 1/4 to 9	8 1/2	8 to 9 1/4	8 3/4	8 1/4 to 9 1/4	8 3/4	8.6	8.6

FOMC Projections

Reported to Congress February 16, 1983

	Percent change, Q4 to Q4
Nominal GNP	7 1/4 to 11 1/4
Real GNP	3 to 5 1/2
GNP deflator	3 1/2 to 5 1/2
Average level in the fourth quarter, percent	
Unemployment rate	9 1/2 to 10 1/2

Forecast Summary

Percent change, annual averages	Board Members		Voting Presidents		Nonvoting Presidents		Staff	Adminis- tration
	Range	Median	Range	Median	Range	Median		
Nominal GNP								
1983	7½ to 9¼	8	7½ to 9	7½	7½ to 8¼	7¾	7.7	7.8
1984	8½ to 10¼	9¾	8¾ to 12	9¾	8½ to 12	10¼	8.7	10.2
Real GNP								
1983	3 to 5	3¼	2¾ to 4	3	2¾ to 3¼	3	3.2	3.1
1984	4¼ to 6	5	4 to 5	4½	4 to 5¾	5	4.9	5.2
GNP Deflator								
1983	4¼ to 4¾	4½	4½ to 5	4½	4½ to 4¾	4½	4.3	4.6
1984	3½ to 4¾	4¼	4 to 7	4¾	4 to 6½	4¾	3.6	4.8
Annual average level								
Unemployment Rate								
1983	9¾ to 10	10	9½ to 10	9¾	9¾ to 10	10	9.8	9.9
1984	8¾ to 9¼	9	8½ to 9½	9	8½ to 9½	9	8.9	8.9